Austria	Sch22	Indonesia	Rp3100	Oman	Or1
Bahrain	Din0.700	Iran	Rls210	Philippines	Peo40
Belgium	BFr60	Israel	NIS3.50	Portugal	Esc140
Cyprus	C£0.90	Italy	L2000	Qatar	QR8.00
Denmark	DKr10.00	Jordan	Fils1000	S.Arabia	Rls7.00
Egypt	E£3.25	Kuwait	Fils.500	Singapore	S$4.10
Finland	Fmk7.00	Lebanon	L£400.00	Spain	Pta145
France	FFr7.00	Lux	LFr60	Sweden	SKr10
Germany	DM2.20	Malaysia	Ringt4.25	Switz	SFr2.40
Greece	Dr180	Morocco	Dh8.00	Thailand	Bt50
Hong Kong	HK$12	Neth	Fl3.00	Tunisia	Din0.850
Iceland	Ikr125	Nigeria	Naira10	Turkey	L1200
India	Rp15	Norway	NKr10.00	UAE	Dh7.00

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

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LOMBARD
A nation that can't count
Page 21

Both sides seek freedom for flights ● Emergency Party congress in East Berlin today

E Germany backs Kohl's concept of confederation

By David Marsh in Bonn and Leslie Colitt in East Berlin

THE TWO Germanys moved closer together yesterday as the East German Communist Party backed the idea of working towards a confederation between the two countries and East Berlin joined Bonn in pressing the Western war victors for freedom of action in air transport.

Both Bonn and East Berlin want sharply to expand air traffic to meet an expected rise in demand once visa and currency control regulations between the two states are abolished on January 1, as agreed this week. Inter-German air traffic is still controlled by the Allies in a leftover from the Second World War.

In a policy paper drawn up for today's emergency congress, which will attempt to rebuild a party whose leadership has collapsed under the weight of popular protest and scandals, the party's interim managers explicity endorse West German Chancellor Helmut Kohl's call for "confederative structures."

These confederative ties should be part of a "common European house," according to the paper, which was made public as the Communist-led Government held its first ever "round table" talks on the country's future with the opposition.

The talks were held on wooden benches in an austere, six-storey, church-owned building in East Berlin. The two sides agreed afterwards that the round table, whose participants will assemble regularly between now and next year's free elections, should become an "organ of control" over government and parliament.

The mass resignation of the Communist Party's leadership last weekend has left a power vacuum and a "situation more serious than perhaps some of you know," in the words of Mr Wolfgang Berghofer, Mayor of Dresden, one of two Communist representatives at the talks.

The phrase "confederative structures" was used by Mr Kohl in a 10-point plan for German and European unity which has been attacked in Moscow as nationalistic. It calls for progress towards confederation, among other things through the steady upgrading of co-operation in such practical matters as communications and ecology.

The importance attached to practical co-operation was underlined yesterday as details were announced of three sets of ministerial talks to discuss joint inter-German projects on the economy, the environment and the sensitive area of air transport.

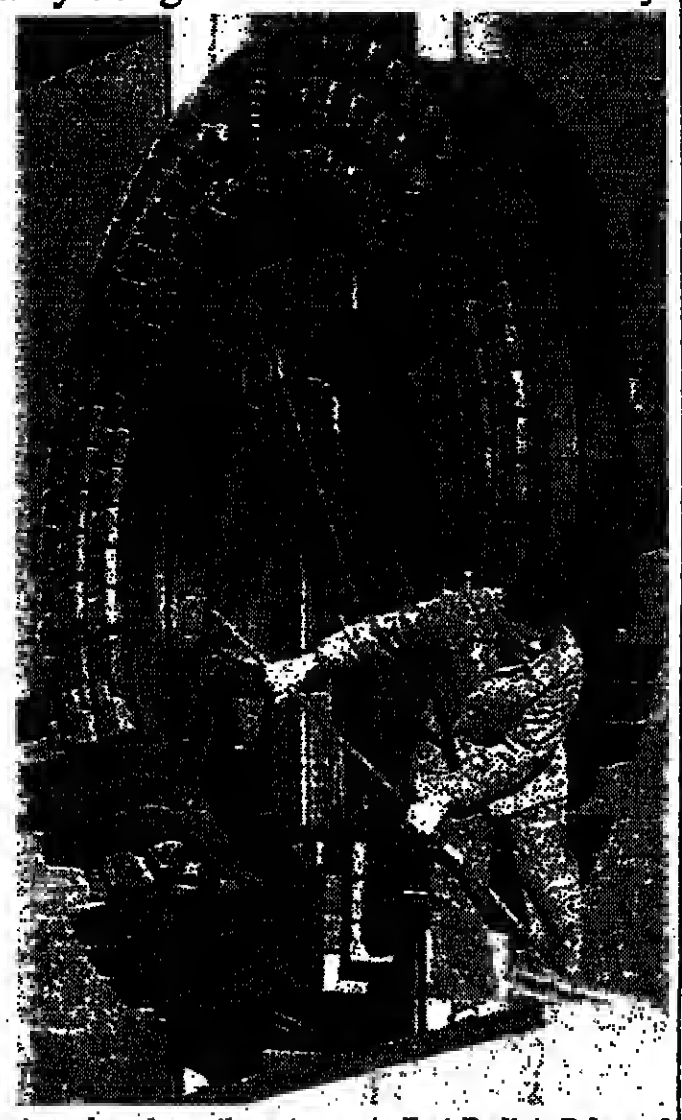
In the most sensitive area, over air traffic, Mr Friedrich Zimmermann, the West German Transport Minister, is due to see Mr Heinrich Scholz, his East German counterpart, in Bonn next Tuesday.

Mr Helmut Haussmann, the Economics Minister, is meeting Ms Christa Luft, the deputy East German Prime Minister responsible for the economy, in East Berlin on Thursday next week.

On the same day, Mr Klaus Topefer, the Environment Minister, will also be in Berlin for talks with his opposite number. Mr Christan Schwarz-

Continued on Page 22

Lithuania ends Communist guarantee, Page 22; East German anger, Page 2



A worker cleans the entrance to East Berlin's Palace of Republic in front of the East German state emblem

Bonn bid to cover EMU talks rift

By Our Foreign Staff

THE West German Government yesterday strove to play down the impact of discord with Paris, on the eve of the European summit in Strasbourg, over its bid to delay talks on preparing the way to European Monetary Union (EMU) until after the December 1990 general election.

Mr Lutz Stavenhagen, minister responsible for contacts with the European Community, said Bonn was relying on French agreement to the bid to delay until 1991 the start of an Inter-Governmental Conference on monetary union. Other officials said a letter sent on Wednesday by Chancellor Helmut Kohl to President François Mitterrand stated Bonn's unchanged commitment to the idea of a conference.

The officials denied that the Federal Republic was putting on the "brakes" on EC integration. They said postponement of the conference "by a few months" from the second half of next year – the time proposed by France – would not hold up the impetus of monetary union.

Mr Jacques Delors, European Commission President, warned of "serious crises" among the Community's member states if they failed to agree a starting date for treaty negotiations to establish EMU.

He added that institutional change, such as the strengthening of the European Parliament's powers on which Mr Kohl has focused, "must not be made a precondition" for launching negotiations on monetary union.

Mr Delors reiterated his own support for a change in political institutions, saying: "One can't have economic and monetary union without institutional reform and a democratic counterweight."

His warning, coupled with his complaint that required changes in EC institutions were being used by some as a pretext for delay on EMU, made clear he was referring to what has been historically the most important bilateral relationship in the Community – that between France and West Germany.

French and Commission officials still believe Mr Kohl may be manoeuvred into accepting a starting date for EMU negotiations that does not clash with next autumn's West German federal elections.

Continued on Page 22
Politics Today, Page 21

World News

Iraq claims successful launch of space rocket

Iraq claimed that it had launched a rocket capable of putting satellites into space, successfully fulfilling the first phase of its space programme. Page 5

Baltic reforms
Lithuania became the first Soviet republic to abolish the Communist Party's constitutional guarantee of power and Estonia is set to follow suit, paving the way for multi-party elections. Page 22

Filipino defiance
Rebel troops holding an Air Force base outside Cebu, the second largest city in the Philippines, are refusing to surrender although most of the insurgents have given up following the coup attempt against President Corazon Aquino. Page 22, Analysis, Page 5

Singh peace move
V.P. Singh, new Prime Minister of India, made a dramatic peace overture in Punjab, praying in the holiest Sikh shrine and expressing regret for years of bloodshed. Page 22

Dutch attack accord
The Schengen accord, allowing free movement of people and goods between The Netherlands, Belgium, Luxembourg, West Germany and France by January 1 1990, has come under attack from Dutch MPs. Page 22

Greece foils treaty
Attempts by Nato at presenting a draft treaty to the Vienna conventional arms talks failed following objections by Greece to the exclusion from arms reductions of the port from which Turkey invaded Cyprus. Page 3

S Africa military cut
South Africa is to halve compulsory military service from next year, in a move which could substantially reduce defence spending. Page 5

Brazilian boost
Luis Inacio Lula da Silva, [illegible] socialist candidate [illegible] presidential election [illegible] boost for his campaign [illegible] backing from the [illegible] Social Democratic [illegible] Brazil. Page 6

Israeli peace
Israel signalled its readiness to proceed with US efforts to establish Israeli-Palestinian peace talks, but only if the PLO is excluded. Page 5

UK-Argentine talks
Diplomatic and military staff of Argentina and Britain have concluded talks aimed at eliminating potential sources of conflict between the two countries. Page 6

Jordanian challenge
Jordan's experiment with democracy is facing its first big challenge as Mudar Badran, the new Prime Minister, begins his struggle to secure a parliamentary vote of confidence in his cabinet. Page 5

UK drugs traffic
The UK is regarded by the US and Canada as an offshore banking system exploited by drug traffickers estimated to be earning at least $2.8bn from drug smuggled into the country. Page 8

Montreal massacre
A man who massacred 14 female students on the University of Montreal campus before turning his gun on himself was carrying a three-page diatribe denouncing feminism.

Record statue bid
A Renaissance bronze statue that went unrecognised in a London garden for more than 30 years fetched $10.64m, a world-record price.

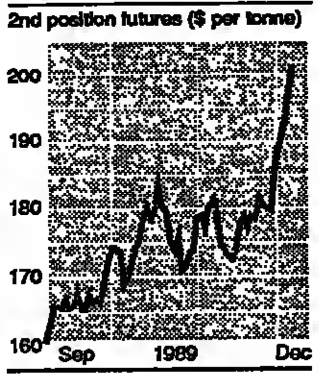
Business Summary

Belgian group aims for new role in metals business

Société Générale de Belgique, Belgium's most powerful industrial holding company, intends becoming a leading global player in the non-ferrous metals business through Acec-Union Minière, an engineering and metals grouping created earlier this year. Page 23

GAS OIL prices took another leap with December futures

IPE Gas Oil
2nd position futures ($ per tonne)



on the International Petroleum Exchange in London closing $11.75 higher at $220 a tonne. Page 38

MONDADORI, Italian publishing group, is at the centre of a legal battle following a Milan court's decision preventing the group's board from summoning a special shareholders' meeting. Story and analysis, Page 23

JAPAN'S Ministry of Finance is actively considering moves which would take London's highly profitable Japanese equity warrant business back to Japan. Page 23

GRAND Metropolitan, UK food, drinks and retailing group, emerged from a testing year of acquisitions, disposals, and reorganisation with a 27 per cent increase in pre-tax profits to $1.14bn. Page 23

ITALIAN and Iraqi commercial relations appear to have been obstructed by the reverberations of the BNL Atlanta affair. Page 6

MCGRAW-Hill, New York publishing and information group, announced a restructuring to reduce its staffing levels by 1,000 full-time jobs and cost the company $220m in special charges. Page 26

US-Polish first communications joint venture, a $900m 20-year cable television project, will bring American news, sports and rock music programming to Poland next year. Page 6

TRYGG-Hansa, Sweden's second largest insurance company, is going public on the Stockholm stock exchange in Scandinavia's biggest share issue. Page 24

GREEK cigarette and alcohol prices rose 20 per cent in an economic package adopted by the new all-party Government to cut the country's record public sector deficit by $1.83bn over the next year. Page 3

CALIFORNIA'S State Insurance Commissioner has ordered a rate increase limit on car insurers as part of a new regulatory regime. Page 6

MPs from nine European countries adopted a report calling for an end to many of the restrictions on sensitive Western technology exports to Communist countries. Page 6

SWEDEN's central bank increased its discount rate to 10.5 per cent from 9.5 per cent in a further move to dampen down the overheated economy. Page 3

AMERICAN Express confirmed it was reviewing a number of options with its brokerage subsidiary Shearson Lehman Hutton and Nippon Life Insurance which has a 13 per cent stake in Shearson. Page 26

Husak names PM as Adamec resigns

By John Lloyd in Prague

CZECHOSLOVAKIA'S progress towards political reform was thrown into confusion last night when Mr Ladislav Adamec resigned as Prime Minister, one day after he had publicly threatened to do so if the conflicting pressures about him grew too great.

His resignation was accepted yesterday morning by President Gustav Husak, who then named Mr Marian Calfa, 43, as his successor.

Mr Calfa had been Deputy Prime Minister in the Government that was formed on Sunday, and was minister without portfolio and latterly government spokesman in previous Cabinets.

However, late last night, the Communist Party demonstrated a renewed commitment to reform itself when it expelled its former hardline *leader, Mr Milos Jakes, and the* former Prague party chief, Mr Miroslav Stepan, from its ranks.

The official CTK news agency said their expulsions from the party were due to "gross political mistakes in tackling social tensions, especially the events of November 17," in which several hundred demonstrators were beaten up by security police in the centre of Prague.

At the same time, the party ordered the rehabilitation of thousands of reformers, including Mr Alexander Dubcek, the Communist Party leader in the "Prague Spring," who were evicted from its ranks after 1968.

Continued on Page 22
Post war enquiry, Page 2; Civic Forum, Page 4

$1.67bn Polish loan plan

By Lionel Barber in Washington

THE WORLD BANK is prepared to lend $1.67bn to Poland to support the Solidarity Government's efforts in reforming the debt-ridden centrally planned economy, a senior Bank official said yesterday.

But Mr Eugenio Lari, who heads the Bank's East European operations, warned that the new loans are dependent on support from the commercial banks, the International Monetary Fund, and the Paris Club of government creditors which is owed the bulk of Poland's $39bn of external debt.

Debt relief for Poland is politically sensitive because it could spark calls from Latin American debtors for similar treatment, but Mr Lari said: "There has to be new money or debt relief, or a combination of the two. If this does not happen we are not going to have a programme."

Speaking in Washington, Mr Lari also criticised the "lack of co-ordination" among Western agencies who provide food and economic assistance. Confusion reigned too in Poland about how to reconstruct the economy. "We are back to the late 1940s," he said.

Mr Lari said rough estimates indicated that Poland would need around $20bn over the next three years in terms of debt relief, economic support, and new lending.

At present, Poland has halted repayment of its external debt to the Paris Club, and most observers believe the loans will simply be rolled over next year.

The World Bank's $1.67bn lending programme is broken into tranches which could be made available over the next 18 months, starting with two loans of $360m which are about to be disbursed.

Many of the projects require co-financing by commercial banks, and cover ventures such as new frozen-food processing plants, cattle-feed imports, and new production of natural gas to save hard coal, which is badly needed for export earnings.

Mr Lari said the two loans amounting to $360m would be disbursed as soon as the IMF reaches agreement in principle with the Polish government on a structural adjustment programme. This could come as early as the end of next week, and would immediately trigger an IMF stand-by facility of $700m.

Other planned World Bank loans include $150m for modernising railway rolling

Continued on Page 22
Poland in $900m telecomm venture, Page 6

Swedish merger could create region's largest bank group

By John Burton in Stockholm

PKBANKEN, the Swedish state-controlled bank, yesterday launched a SKr5.6bn ($880m) bid for fifth-ranking Nordbanken in a move that could create the Nordic region's biggest banking group.

Nordbanken's board recommended the offer to shareholders despite a higher 11th-hour counterbid by Skandinaviska Enskilda Banken (SEB), which is now Scandinavia's largest commercial bank. SEB dropped its offer after the board's rejection.

The merger is part of an extensive restructuring that has shaken the Nordic banking world this autumn, including the creation of two big banks in Denmark, another in Norway, and the takeover of four of Sweden's seven regional banks by the country's top banks. The moves follow fiercer competition among European banks caused by liberalisation of the EC internal market.

To gain a more [illegible] image abroad, the [illegible] ing from yesterday's deal will be called Nordbanken. Based on 1988 figures it will have total assets of SKr309bn including PKbanken's group operations such as its securities business. SEB's total group assets in 1988 amounted to SKr289bn and it estimates they will exceed SKr350bn this year.

Mr Rune Barneus, the Nordbanken president who has transformed the northern Swedish regional bank into the country's most profitable with a return on equity of 22.8 per cent, will head the new Nordbanken.

PKbanken's offer of SKr300 a *share for Nordbanken* is 50 per cent above its recent price levels on the Stockholm bourse. But it was lower than the bid made for an undisclosed amount by SEB on Wednesday evening, hours after PKbanken and Nordbanken made their intentions known by suspending share trading and announcing a joint news conference.

The Nordbanken board explained that one reason it accepted the lower PKbanken offer was that the two banks complement each other in their geographical distribution. In contrast, Nordbanken and SEB compete in many places.

Acceptance of the SEB offer would probably have caused a cut in Nordbanken personnel and the closure of some of its 100 offices, although SEB had promised that Nordbanken would continue to run as an independent subsidiary.

The deal caps the brief banking career of Mr Christer Zetterberg, PKbanken's chief executive, who is leaving to become president of Volvo in April. Mr Zetterberg, a former forestry industry executive, embarked on an aggressive acquisition drive to boost the bank's sluggish profitability after becoming its head last year.

Mr Kjell-Olof Feldt, Sweden's Finance Minister, said he supported the merger because it would help strengthen the competitiveness of Swedish banks against their bigger European rivals.

MARKETS

STERLING
New York lunchtime: $1.578
London: $1.575 (1.576)
DM2.7925 (2.7825)
FFr9.54 (9.5025)
SFr2.5075 (2.5)
Y227.25 (226.5)
£ index 88.5 (88.3)

GOLD
New York: Comex Feb $407.8
London: $404.25 (404.0)

N SEA OIL (Argus)
Brent 15-day Jan $19.25 (19.175)

Chief price changes yesterday: Page 23

DOLLAR
New York lunchtime:
DM1.7705
FFr6.0515
SFr1.5915
Y144.25
London:
DM1.7725 (1.765)
FFr6.0575 (6.03)
SFr1.592 (1.587)
Y144.3 (143.8)
$ index 68.8 (68.6)
Tokyo close: Y144.13

US LUNCHTIME RATES
Fed Funds $8\frac{3}{8}$%
3-mo Treasury Bills: yield: 7.90%
Long Bond: $102\frac{1}{32}$
yield: 7.91%

STOCK INDICES
FT-SE 100: 2,346.7 (-7.0)
FT Ordinary: 1,850.9 (-9.0)
FT-A All-Share: 1,169.83 (-0.2%)
New York lunchtime:
DJ Ind. Av. 2,735 (-1.06)
S&P Comp 348.86
Tokyo: Nikkei 37,858.11 (+203.82)

LONDON MONEY
3-month interbank: closing $15\frac{3}{32}$ (same)
Liffe long gilt future: Mar 91 ($90\frac{1}{32}$)

MARKET REPORTS: CURRENCIES, Page 46; BONDS, Pages 27, 28; COMMODITIES, Page 38; EQUITIES, Pages 39 (London), 47 (World)

CONTENTS

Aylwin the favourite but Fra Fra confounds Chilean pollsters

Patricio Aylwin (left), veteran Christian Democrat candidate, remains the favourite to win the first round of Chile's presidential election. But Francisco Javier Errazuriz, known as Fra Fra, is a wild card upsetting the pack. Page 6

EUROPEAN NEWS

Moscow cancels farm debt to boost production

By John Parker in Moscow

THE SOVIET authorities, in a move reminiscent of the British government's debt write-offs for privatised companies, say they are willing to forgive up to two-thirds of the country's long- and medium-term farm debt.

They will use the write-offs to encourage agricultural leasing, the new system which allows peasants to rent land which is designed to boost falling farm productivity.

The presidium of the council of ministers (the inner cabinet) has declared that it does not expect repayment of some Rs73.5bn (£73bn) out of the Rs119bn owed by farms.

Mr Valentin Pavlov, Finance Minister, has specified that debts would be forgiven only when farms go over to the "lease contracting" system.

Under this system, families can rent land, and workers on collcetive or state farms can sub-contract land or equipment.

In either case, after paying for the lease, farmers are permitted to keep most of the profits for themselves. Lease contracting, introduced by decree of the Supreme Soviet in April, is the government's main answer to sluggish agricultural production.

According to official estimates the grain harvest will be 13m-14m tonnes higher this year than last at 208m-209m tonnes, but the International Wheat Council estimates that the Soviet Union will still have to import 31m tonnes of grain.

The government admitted that huge debts have been "a serious obstacle in the path of expanding lease contracting." Next year, it said, Rs28m will be forgiven to both existing leaseholders and future ones.

Leases have to signed for five years or more, and special commissions, accountable to the party's local executive committees, will be set up to prevent fraudulent leases being introduced.

The government also announced that debts run up by farms affected by the Chernobyl nuclear accident would be cancelled unconditionally.

In a bleak comment on the consequences of that disaster, the trade union newspaper Trud yesterday said that these lands "cannot be used in future."

To encourage factories and workshops to take up farming as a sideline, farms placed under their control will also have their debts cancelled.

E German anger brings down pillars of state

Order has virtually collapsed inside the GDR, writes Leslie Colitt in East Berlin

EAST GERMAN border controllers instinctively still stare intently at the noses and ears of Western visitors, comparing them with their passport photos to determine whether all is in order.

But inside the German Democratic Republic, order has virtually collapsed. Mr Egon Krenz had reigned only 44 days when on Wednesday he went the way of his predecessor, Mr Erich Honecker. He dazzled his countrymen with showmanship and glib promises but convinced few.

Irate citizens this week stormed headquarters of State Security in the districts of Dresden, Rostock, Cottbus and Suhl and physically assaulted officials of the hated agency.

Their wrath was aroused by word that the Stasi, as the organisation is known, was shredding and burning incriminating documents. But the new head of the agency, Dr Wolfgang Schwanitz, said yesterday that these were reports on the "observation" of citizens suspected in the past of "anti-state" activities. They were being destroyed on his orders.

Dr Schwanitz and other East German officials appear to be as transparent as their predecessors were opaque. He warned that if the besieging of State Security buildings continued it could lead to "unforeseen" developments. "It could plunge us into chaos."

The word "chaos" is liberally invoked in East Germany this days. In the Honecker era it was reserved exclusively for the situation in neighbouring Poland, which today is calmness itself compared with East Germany. Dr Schwanitz, however, assured his fellow citizens that "we are not considering a state of emergency." He said Stasi staff were being reduced by up to half, although the number of employees remained a secret.

Many loyal employees who had to leave were "very bitter", he said. They felt deceived by the old leadership after "many years of devoted work . . . They now stand before a total void."

Most East Germans though were more worried about the economic abyss which appeared to loom ahead. "We worked hard and were deceived," a woman building engineer from Bad Doberan remarked. She was visiting Berlin with her husband. "Only the BRD [West Germany] can help us now," he added.

The loudspeaker in the ice cream parlour in East Berlin's Leipziger Strasse was blaring a live West Berlin radio programme from the city legislature which was discussing the fast-moving political and economic and situation in the two halves of Berlin. Only a few months ago no one would have dared to tune in a Western station in public (though in private everyone did).

A senior East German official said he would immediately resign from the party if its new governing executive, to be elected at the opening of an emergency party congress today, contained any "discredited faces" from the old regime.

At least 300,000 of the 2.2m party members had resigned in disgust in recent weeks, appalled by the reports of corruption and hedonism in the previous leadership.

The directly-elected delegates to the congress will need to choose a young, relatively unknown leader, if the party is to regain authority over its remaining members, the official said.

Mr Wolfgang Berghofer, the energetic young mayor of Dresden, is regarded as a strong contender for this undesirable post. He managed to defuse an extremely tense situation in Dresden last October and opened a dialogue with citizens and the opposition which led to yesterday's first round-table meeting between the Government and the opposition in East Berlin.

A good number of party members were urging the Socialist Unity (Communist) party (SED) go back to its origins and rename itself the Communist Party of Germany (KPD). But the word "Communist" has a bitter aftertaste in East Germany today.

"It stands for Stalinism – it's that simple," a senior Foreign Ministry official admitted. The SED was in ruins, he said. Only a strong government could now save East Germany from collapse – into the arms of West Germany.

Acting head of state Manfred Gerlach looks back from the round-table meeting yesterday.

Inquiry into postwar Czech trials urged

By Leslie Colitt

THE NEW Minister of Education in the Czech republic's government, Dr Milan Adam, has called for a sweeping investigation into the mass political trials and executions of opponents of the Communist regime after it took over in 1948.

Dr Adam, a senior member of the increasingly independent Socialist Party who took government office this week, told the Financial Times that "thousands" of Socialists and other non-Communists were arrested on trumped up charges after 1948 and "hundreds were executed."

"The terror in Czechoslovakia was the most intense in Eastern Europe," he said. "The years 1949 and 1950 were similar for us to the Nazi terror." Dr Adam called for the immediate lifting of the cloak of secrecy surrounding this "darkest chapter" in post-war Czechoslovak history.

Now 61 years old, he joined the Socialist Party before it fell under Communist control. His uncle, Mr Otakar Klapka, the Socialist mayor of Prague in 1940, was arrested by the Nazis and executed in 1941 for supporting the resistance movement. "Until now the Communists have never spoken of this role played by the Socialists," he said, speaking in the headquarters of the Socialist party in Prague.

Dr Adam said the Socialist Party would also demand investigations of present-day Communist leaders suspected of corruption and other crimes.

He said new history texts revealing the "truth" about the postwar era and 1968 were urgently needed.

He would see to it that Parliament's decision to abolish obligatory courses in Marxism-Leninism and Scientific Socialism in all schools and universities was implemented "immediately".

"They will be replaced by civic education for democracy on the basis of good Czechoslovak traditions. Yes, we will pick up where we left off in 1948. Remember, we really were a democratic country before the war."

Forum feeds hope, Page 4

West Germany's mobile telephone network poised for big expansion

By David Goodhart in Bonn and Hugo Dixon in London

THE CONSORTIUM led by engineering group Mannesmann has, as widely expected, won the licence to run West Germany's private sector digital mobile phone network. It was selected from an application list of 10 and should start operating, in competition with the state-run Deutsche Bundespost Telekom, in late 1991.

The licence, to run for 15 years, has been described as "a licence to print money". Analysts expect the Mannesmann consortium to establish a business valued at around DM10bn (£3.6bn). The West German market for digital mobile phones is considered by many to be the most attractive in Europe because of the size and wealth of the population. A further advantage is there is no single dominant city, meaning that German business people travel a great deal.

The current analogue system run by the Bundespost has only about 150,000 subscribers, about a fifth of the number in the UK. This has largely been attributed to the Bundespost's failnre to market mobile phones aggressively and the high cost of using the system. Germans pay about DM7,000 (£2,500) for a cellular handset, compared with £300 paid by a Briton.

The injection of competition in the form of the Mannesman consortium, called Mannesman Mobilfunk, is expected to lead to much more vigorous marketing. At the same time, digital technology should result in cheaper calls and provide better reception.

An added benefit is that the two digital systems – the Bundespost is also being allowed to upgrade its network to digital technology – will allow customers to roam around 17 European countries making phone calls. Currently, they are restricted to using their phones in Germany.

For these reasons, analysts are expecting there to be 1.5m subscribers in West Germany by 1995. Half a million will be using the Bundespost's analogue system, with each of the new digital systems splitting the rest evenly. After 1995, the digital systems are expected to eclipse the analogue network rapidly.

Much of the euphoria surrounding the licence is based on the assumption that Mannesman Mobilfunk is virtually guaranteed a 50 per cent share of the market. But the experience of the UK, where the Government is in the process of introducing three new players into the mobile market to compete with the existing duopoly shows that such an assumption may not be justified. Indeed, the Bundespost has already shown interest in new mobile concepts, snch as personal communications and telepoint.

Mannesmann itself will take 51 per cent of the business, Pacific Telesis (Netherlands) 26 per cent, Deutsche Genossenschaftsbank 10 per cent, Cable & Wireless (UK) 5 per cent, Lyonaise des Faux (France) 2.5 per cent, and a trust representing the West German motor and electrical technicians associations 1 per cent.

The Mannesmann consortinm will have to invest at least DM2bn in the new business which is expected to employ about 3,000 people. However, the investment could turn out much larger thanks to various cost imponderahles.

Most analysts expect the company to break even after about three years. According to the confidential financial data prepared by Deutsche Mobilfunk, one of Mannesmann's main competitors, turnover in 1995 was expected to be DM1bn with post-tax profit of DM163m rising to DM2.6bn and DM334m by the year 2000.

EC industry ministers were last night locked in discussion over plans to inject new competition into the Ecu75bn Community market for telecommunication services in the mid-1990s, writes Tim Dickson. The special meeting in Brussels was intended to break the deadlock between those for and against letting private companies compete against public monopolies in providing basic data communication services, the fastest-growing part of the market.

هكذا من الأصل

EUROPEAN NEWS

Ministers wave open transport market on to runway

Governments and airlines have shown they accept the question is not if but when, writes Tim Dickson

IF PRESIDENT François Mitterrand wants to demonstrate to Mrs Margaret Thatcher in Strasbourg today that he is prepared to put his money where his European mouth is, he need point no further than this week's *extraordinarily fruitful* meeting of European Community Transport Ministers.

Twice in 24 hours Mr Michel Delebarre, the French Minister chairing the Brussels session, proved even to sceptics that Paris was willing to modify or even drop apparently entrenched national positions in the cause of creating a more integrated European transport market.

The first breakthrough on Monday – the Council's agreement to an experimental *cabotage* scheme for opening up domestic road haulage sectors to outside competition – is unlikely, important as it is, to capture the public imagination.

The second achievement on Tuesday – the clear political commitment of the 12 to sweep away most of the anti-competitive restrictions on Europe's still highly protected airline business after a transitional phase which most see ending by January 1 1993 – at last holds out the joyful prospect of cheaper fares for European airline passengers in the mid-1990s.

It is inevitable that the more cynical have since been quick to note that the deal put together in the early hours (though completed in the clear light of day) is in the form of non-binding conclusions; that these as yet have no legal force; and that, in the detailed negotiations which will follow under the Irish presidency of the Community in the first six months of next year, the conservative elements will find ways of wriggling out of their political promises.

There is certainly a hard slog *ahead – but the deal* on *Tuesday* should nevertheless be seen as one of the clearest indications yet that national governments and many of the big airlines they represent acknowledge the irreversible process of the single European market, and that the main question is not if but when it comes into force.

By agreeing to abandon completely by the end of 1992 the cosy bilateral capacity-sharing arrangements which inhibit more efficient airlines from increasing their share of a route – and by the same date removing the veto which individual governments effectually have over other countries' cheap fares – the Delebarre package provides air transport companies with a clear but time-limited breathing space in which to prepare themselves for the new world.

The significance of this development can best be judged by recalling the squeals of protest from most member countries when the European Commission first proposed outlawing the age-old 50/50 capacity-sharing deals in favour of a slightly more relaxed 60/40 split. That package, signed in late 1987, was, and still is, criticised for the minimal impact it made in the market place – a more generous interpretation in the wake of the optimism this week is that it provided the vital first nudge in dislodging the boulder of vested airline interests.

At this stage all predictions about fares remain guesswork. The Council conclusions make explicit reference to the desirability of a two-stage jump to 75/25 per cent capacity-sharing targets *by November 1992 (before complete* removal of the limits) but the passage in the communique on tariffs says that during the "intermediary period" the current system of "flexible zones" will continue, albeit in "a more flexible, simple and efficient manner".

At present there are two zones – enabling airlines to introduce without government approval discount fares down to 65 per cent of the normal economy fare, and deep discount fares down to 45 per cent of the normal economy fare, provided certain conditions are fulfilled.

> The promise of a more open airline market means that EC competition policy – soon to be tested in relation to BA's and KLM's tie up with Sabena – will be a crucial factor in determining the industry's shape to the year 2000

As every bargain-hunting traveller knows, these offers are often limited not only in quantity but in the complex restrictions attached to them. No one knows just how the zones will be developed – and much may depend on the Irish in the first half of next year – but on the basis of ideas already knocking around in papers written by the French and the Belgians it is possible to see the deep discount band being reduced to say 30 per cent and a simpler set of conditions, *such as one or other of the* Saturday night stay-over or forward-booking deadlines, being introduced for off-peak flights. There is also talk of some flexibility in the interim period for normal economy fares.

Even the optimists, however, stress that more liberal rules and even the ultimate goal of "double disapproval" (where governments would completely lose their veto) are worth little if the airlines themselves refuse to exploit them. "It is still a rather gentleman-like market," says one member state expert delighted with the results this week.

For this reason the European Commission is well aware that to be effective the second "interim" package to be agreed by next June, and any final EC air transport framework, must provide the maximum incentives for newcomers, that Brussels' proposals for more "multiple designation" on routes to break up the familiar duopolies between capital cities are taken seriously in the negotiations, and that full fifth-freedom rights (the ability to set down and pick up passengers at an intermediary airport on route to the final destination) are ultimately met. At the moment, for example, the big "hub" airports such as Heathrow and Charles de Gaulle are denied these possibilities.

The commitments made by ministers this week would appear to mean that from July 1 1992, the current action by the French Government in denying its second major carrier UTA access to European routes served by Air France would be illegal. But while this was one of Mr Delebarre's most *surprising concessions it is still too* early to say that the conservative and protectionist forces have been seen off.

Denmark, Greece and Portugal, for example, though they will not constitute a blocking minority when ministers come to sign on the dotted line, voiced clear reservations about the deadline for full liberalisation fixed by their fellow member states. There are obviously sensitivities about the fate of their own national airlines but there are also those who will argue that too much competition in the EC will make European airlines vulnerable to the growing commercial threat from the giant US carriers, such as American Airlines.

That is why negotiations over a common external airline policy are likely to go well beyond how to integrate the countries of the European Free Trade Association into a common EC air transport framework.

By contrast, others see the danger of already strong European carriers such as British Airways and Air France gobbling up rivals after a short period of frenzied competition – with all that that might imply for cheaper fares. That is why EC competition policy – soon to be tested in relation to BA's and KLM's tie up with Sabena – will be a crucial factor in determining the industry's shape to the year 2000.

Sweden raises discount rate to cool economy

By Robert Taylor in Stockholm

SWEDEN'S central bank yesterday increased its discount rate to 10.5 per cent from 9.5 per cent in a further move to dampen down the overheated economy. The main reason for the change was to bring the discount rate more into line with the high rates in Sweden's financial markets. Five-year state bonds now have a 12.8 per cent interest rate. Housing interest rates are as much as 15 per cent.

Mr Bengt Dennis, the bank governor, said yesterday that Sweden faced a prolonged period of high rates. The discount rate was last raised in April from 8.5 per cent.

Yesterday's move is a further indication of the growing pessimism in the market about Sweden's economic outlook, particularly due the high level of wage and price inflation and the rising curreot account deficit. There is virtual unanimity among forecasters about the deterioration in competitiveness over recent months.

The main trade union federation, the LO, yesterday produced its own prognosis for next year which predicts a massive rise in the current account deficit to SKr38.2bn (£3.8bn) from SKr26.1bn, o fall in the growth rate to 1.7 per cent from 2.1 per cent and both wages and prices rising by 8.5 per cent.

Mr Dennis admitted that the latest rise in the discount rate would hit investment as well as demand, but he also pointed out that rising costs would have hit industry even if fiscal policy had not been tightened.

The central bank said the decision to raise the rate was also prompted by increases in Western Europe and Japao this outumn. The huge outflow of capital from the country over the past few months since the Government decision last January to allow unrestricted investment by Swedes in foreign stock has been an added difficulty. In October the central bank recorded a record net purchase of SKr4.1bn in foreign stocks by Swedes.

Yesterday's move provides a further sign that Sweden can expect a tough budget next month from Mr Kjell-Olof Feldt, the Finance Minister, as the Government attempts to reverse the alarming economic trends.

Greece trips up Nato once again

By Judy Dempsey in Vienna

A FRESH attempt by Nato at presenting a draft treaty to the Vienna conventional arms talks failed yesterday following strenuous objections by Greece to the exclusion from arms reductions of the port from which Turkey invaded Cyprus.

At least two leading Nato countries argued at one point for the submission of a draft treaty without Greek assent, but they were eventually persuaded that breaking Western consensus would have set a dangerous precedent.

The draft treaty, whose submission would be an important psychological boost to the East-West negotiations on Conventional Forces in Europe (CFE), has now been referred back to the individual foreign ministers and to Brussels for further discussion.

At the root of the dispute is the port of Mersin, in the south of Turkey, from which Ankara launched its 1974 invasion of Cyprus and through which it continues to supply its forces occupying the island's north.

The Greek-Turkish dispute had been partially papered over through the adoption by the nine Nato countries of ambiguous language on the Turkish reduction zone.

This states that in the case of Turkey, the area of application [for reductions] includes the territory of Turkey, north and west of a line running from the town of Gozne to the sea.

The route to be taken from Gozne to the sea – whether it should be east of Mersin (the Greek view) or west of Mersin (the Turkish view) – is the point at issue. And it is that prejudicial interpretation of the language which has largely undermined Nato's draft treaty.

Several ways of resolving the issue have been mooted over the past few days.

Meanwhile, the Warsaw Pact is quietly preparing to present its own draft treaty, probably before this round of the CFE talks ends on December 21.

Wide tax increases in Greece

By Kerin Hope in Athens

GREEK CIGARETTE and alcohol prices rose by 20 per cent yesterday in an economic package adopted by the new all-party Government to trim the country's record public sector deficit by Dr300bn (£1.18bn) over the next year.

Transport and public utilities charges were increased by an average 17 per cent, while petrol and road tax rose by 17 and 25 per cent respectively. Mr George Souflias, the Finance Minister, said the measures would increase by just under one point an inflation rate which is already expected to reach 15 per cent by the end of the year.

The Government has promised to reduce the public sector borrowing requirement by three percentage points of gross national product in 1990, to 19 per cent.

Although the Conservatives and Socialists quickly reached agreement on the measures, they were delayed until both parties agreed to a Communist demand that no further price rises would be imposed next year.

The package also includes an income tax surcharge for people who declared earnings totalling more than Dr2m last year. Private sector companies will pay an extra 7 per cent tax on 1988 profits of more than Dr5m.

An extra Dr100bn is to be raised by reducing the spending of state-owned corporations. A hiring freeze is already in effect, while overtime and travel for public sector employees will be strictly controlled, according to a Finance Ministry directive.

The measures were announced as new figures showed a sharply increased current account deficit for January-October. According to the Bank of Greece, the deficit totalled $1.95bn, up from $594m for the same period last year.

A 63.8 per cent increase in imports and a 19.1 per cent decline in remittances from Greeks working abroad contributed to a deficit of $338m for October, compared with 240m in 1988. Bank of Greece officials predict that this year's current account deficit will reach at least $2.5bn.

EC jobless rate steady at 9.1% during October

THE UNEMPLOYMENT rate in the European Community held steady at 9.1 per cent in October on a month-to-month basis, but was down from 9.7 per cent a year ago, the EC's statistical office Eurostat said yesterday, Reuter reports from Luxembourg.

Some 14.1m people were registered out of work in the Community in September, the latest month for which absolute figures were available, it said.

Eurostat said unemployment among men fell 0.7 points to 7.1 per cent in the 12 months to October, with bigger than average decreases in Britain and Spain, and small increases in Denmark and Italy. Unemployment among women also fell [illegible] the same period, from 12.6 [illegible] to 12 per cent.

[illegible] *nally adjusted jobless* [illegible] are highest in Ireland [illegible] in October, at 16.9 [illegible] Spain and Italy were [illegible] figures – 10.0 [illegible] respectively. Luxem[illegible] lowest rate at 2.2 [illegible]

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CZECHOSLOVAKIA

Forum feeds hope to seeds of democracy

Judy Dempsey looks at traditions of freedom which refused to die

THE remarkable events which have swept through Czechoslovakia have been called many things. The Revolution of the Theatre, so called after actors gave over their stages to striking students. The Gentle Revolution, because of the elegant and quiet way in which millions of Czechs and Slovaks toppled the old grey men from power. The Happy Revolution, because of the way the changes tapped the wonderful wit and humour of the Czechs.

But of all the revolutions which rippled through Eastern Europe this year, perhaps Czechoslovakia's can be the only one which can described as the "bourgeois" revolution.

For not only is it the one most likely to avoid the pitfalls already facing the Hungarian, East German, Bulgarian and Polish experiences. But at the core of the Obcanske Forum, the Civic Forum, set up three weeks ago, is the light of democracy. That light, snuffed out in three periods of the 20th century, has now been rekindled, much to the shock and surprise of communists.

The light shone brightly after 1918, when Thomas G. Masaryk, the Republic's much-loved philosopher President, engendered in his countrymen a deep sense of humanism and social democracy.

True, social democracy had emerged in the late 19th century and indeed had "infiltrated" the Czech Communist Party, so much so that it had a degree of support in the 1920s, precisely because it had repudiated democratic centralism, the basic tenet of orthodox communism.

Such uncompromising orthodoxy was in contrast to Masaryk's own cherished principles that the only starting point for a dignified national destiny was humanity itself, which, through education and enlightened *upbringing*, could *stimulate* national creativity and national self-confidence.

But as he guarded the fledgling democracy, Klement Gottwald, Moscow's choice in ridding Czech communism of its social democratic traditions, purged the Party in 1928-29 and imposed Leninist norms among its ranks. The first light of social democracy had been extinguished.

Yet, the Republic remained democratic and at a time when all its neighbours, Germany, Hungary, Poland, and beyond, Spain and Italy, were succumbing to the diktat of fascism. But by 1938, thanks to the betrayal of Czechoslovakia by the Munich Agreement, it was pushed into the Nazi net.

Another light of social democracy had faded.

But it was to emerge again after the Second World War. Despite the Leninisation of the party, the old social democratic traditions reared their heads again. But Moscow's communists were in the ascendancy. After the February coup of 1948, many communists with social democratic inclinations were purged, imprisoned or shot.

But what is remarkable is that the communists could not completely extinguish this bourgeois flame. Not even during the frightening Stalinist period. After Stalin's death in 1953, as if from nowhere, those bourgeois/liberal communists who had survived, nudged their colleagues in the institutes to write.

By the late 1950s, the seed of the Prague Spring – the reform movement which had attempted to give socialism a human face – had been firmly implanted by the lawyers. It was they who brought the country's social democratic traditions out of internal exile.

It was like pouring water on parched flowers. The 1960s blossomed as Anton Novotny, the party leader, grew increasingly uneasy. People could again read and talk openly about Franz Kafka and Karel Capek, their great literary heros. But, again, as if their was something fateful about the figure eight, the tap was abruptly turned off by Soviet-led Warsaw Pact tanks which crushed the Prague Spring on the night of August 21 1968.

Why the period of normalisation – an attempt to re-impose Soviet-style communist rule over the country – was so harsh, is partly due to the regims's determination to stamp out once and for all the remnants of social democratic traditions.

But this time, the Communist Party of Czechoslovakia, then led by Mr Gustav Husak, made terrible blunders.

The party expelled 500,000 social democratic-inspired reformers. The party thus became a bastion of conservatives, which, unlike Hungarian or Polish communists, was unable to promote either the language of reform, or indeed the personnel to push through reforms when the Soviet leader Mikhail Gorbachev came to power.

While the Communist Party cut itself off from society throughout the 1970s and 1980s, the opposition, deeply ingrained with social democratic and humanistic values, retained the country's political and cultural traditions through writing.

Playwrights, such as Mr Vaclav Havel, the doyen of the opposition, kept the light and hope burning through plays. Mr Vaclav Maly, the banned priest, maintained the spiritual beacon. The indefatigible Mr Jiri Dienstbier retained the skills of organising. The Institute of Forecasting, the economics brain-trust of the nation, kept up a barrage of criticism and reports about how the communists were ruining the economy.

Thus, when students marched on November 17, the disparate elements of the country's traditions, combined with its civil society, finally merged into the Civic Forum.

Unlike the New Forum in East Germany, or Hungary's Democratic Forum, the Civic Forum has three distinct advantages.

It has a hard core of experienced writers and lawyers which form an effective leadership.

Second, Civic Forum is highly democratic, tolerant and dignified which, unlike their Hungarian counterparts, New Forum, are not biting at the bit for power.

Above all, Civic Forum can fall back upon its country's democratic traditions. Although the younger generation have never read Masaryk's writings, the fact that posters of him are plastered throughout Prague is a testimony to the continuity of Czechoslovakia's democratic experience. This time round, it may not be cut short.

Socialists find a voice for protest and eye for change

Leslie Colitt in Prague speaks to the leader of the Socialist Party

FEW CZECHOSLOVAKS were even aware of the existence of Mr Bohumil Kuchera, the long-time leader of the tiny Socialist Party, until last November 19 when the socialist newspaper, Svobodne Slovo, printed a front-page attack on the brutal crackdown by the communist leadership on the pro-democracy student demonstration two days earlier.

Today, Mr Kuchera's party plays a pivotal role in the stampede toward democratic government in Prague after 41 years of communist rule.

The Socialist Party, which the 65-year-old politician has led since 1959, has gained remarkable popularity despite its past role as a willing accomplice of the communists.

Mr Kuchera admitted that he remained silent for decades "not revealing my disagreement with the Communist Party." He has come under heavy fire from his 20,000 members for again manoeuvring the party into a lop-sided coalition with the communist Prime Minister, Mr Ladislav Adamec.

The opposition Civic Forum has also urged him to seek more seats for the two non-communist parties, his own and the Christian-oriented People's Party.

Civic Forum has called for mass demonstrations and a general strike next Monday if the communists fail to relinquish several cabinet posts.

"I think a compromise can be reached if the present (overwhelming) communist majority is lowered to a small majority or a 50-50 balance," he said in an interview with the Financial Times.

Mr Kuchera indicated that his party will strongly urge Mr Gustav Husak, the much-reviled president of Czechoslovakia who helped oust Mr Alexander Dubcek, the reformist leader, after the Soviet-led invasion of 1968, to step down before the end of the week.

A heavy-set, florid man, with the self-assurance of a politician 30 years in office, Mr Kuchera is well aware that his reviving Socialist Party could become the nucleus around which a non-communist socialist government would be formed after the first free elections since 1948.

He expected the elections would take place by next June or, at the latest, October, which was the date advocated by Civic Forum. "We are ready for a coalition with everyone whose concept of socialism, humanism and democracy is the same as ours. But this can only be decided after the elections," he emphasised.

This amounted to a rebuff to Civic Forum's offer this week of a coalition with the socialists and the People's Party to wean them away from Mr Adamec's Government.

But the socialists regard the communist-dominated Government as a mere transition to democratic rule. In an ironic reversal of the situation in 1948 when the communists swiftly co-opted the socialists and converted a democratic system into Stalinist rule, Mr Kuchera's party is, in effect, using the communists to dismantle their control of the state.

The socialist chairman regularly meets the new leader of the Communist Party, Mr Karel Urbanek, but the relationship is no longer that of a subservient party to the mighty communist machine. Instead, the badly discredited Communist Party now desperately seeks some credibility from its association with the socialists.

"I think confidence in the Communist Party has sunk very deeply. The leadership of the Party must realise it is necessary to return to modern times," he stated.

His task was to guide the Socialist Party up to its next congress in April and to then turn it over to a new younger leadership in time for the elections. "It will end my political career," he noted in the satisfied manner of a man looking forward to gracefully bowing out of a closing era.

OVERSEAS NEWS

PLO faces ban on US-brokered peace discussions

By Hugh Carnegy in Jerusalem

ISRAEL yesterday signalled its readiness to proceed with US-brokered efforts to establish Israeli-Palestinian peace talks, but made it clear it was doing so on the understanding that the Palestine Liberation Organisation was being kept out of the process.

Washington announced on Wednesday that Egypt, like Israel before it, had accepted, with conditions, a five-point proposal by Mr James Baker, the US Secretary of State.

In an effort to convey a sense of momentum, the State Department also published the Baker plan on Wenesday.

Though most of the detail has already leaked out, one of the points would allow Palestinian representatives at the talks to raise "issues that relate to their opinions on how to make the elections and negotiating process work."

The next step is intended to be a meeting in Washington between Mr Baker and the Israeli and Egyptian foreign ministers.

In a carefully worded reaction, officials in Jerusalem said Mr Yitzhak Shamir, the Prime Minister, and Mr Moshe Arens, the Foreign Minister, believed it was possible "to continue and progress with the peace process."

But the officials stressed that they did so only because their key condition of excluding the PLO was upheld.

"The US made it clear to Egypt that it could not accept that Egypt would act as a postman for the PLO.

Egypt made it clear that it was not acting as such and will not do so," the Israeli officials claimed.

The success of the US effort depends on somehow reconciling the Israeli position with the PLO's insistence that it must have a say in any peace talks.

Notwithstanding the Israeli statement, Mr Esmat Abdel-Maguid, the Egyptian Foreign Minister, said yesterday in Tunis, where the PLO is headquartered, that Egypt had consulted the PLO before replying to Mr Baker.

However, there have been suggestions that Egypt has persuaded the PLO to accept remaining in the background in order to achieve a breakthrough.

Assuming that Mr Baker, Mr Maguid and Mr Arens do meet in Washington, the most urgent issues will be to agree who will make up the Palestinian delegation to talks with Israel and exactly what will be on the agenda.

Within Israel, these issues are subject to sharp disagreement between Mr Shamir's right-wing Likud party – a significant part of which is against the talks at all – and its more conciliatory Labour coalition partner.

● PLO officials in Tunis yesterday repeated their insistence on a full role to all stages of the peace process, and expressed fears that the planned meeting between the US, Israel and Egypt would marginalise the PLO, writes Lamis Andoni in Tunis.

Some Palestinian officials are suspicious that Egypt, which has been pressing them to accept the Baker plan, might have distorted the PLO's position. The PLO would not be obliged to adhere to any decisions reached at a meeting which its representatives did not attend.

"We retain our right to form our delegation to the suggested Israeli-Palestinian talks and to define the Palestinian position at the meeting," said one PLO official.

The PLO has demanded that any Palestinian delegation to the dialogue should represent the organisation, and rejected US, Egyptian and Israeli intervention in naming the delegation.

Coup-mongers live to plot another day

Roger Matthews on why Philippines army rebels could claim a mere 'time out'

ATTEMPTED coups against the Philippines Government of President Corazon Aquino have become less frequent but progressively more serious during the course of the past four years.

The sixth came perilously close to success, and senior military officers loyal to Mrs Aquino concede that without the intervention of US F-4 Phantom jets they would not have been able to regain control of the air – or, by extension, the country.

In the next breath they also concede that there cannot be any guarantee that there will not be another coup attempt, or that next time it will not be successful.

"It would be like me assuring my wife that I would never drink beer again," said Brigadier General Oscar Florendo, the Army spokesman, with that mixture of humour and honesty which both charms and, as often, exasperates those trying to help the Philippines chart a more stable future.

And the main reason why that future remains so uncertain is that, as on previous occasions, no-one will be seriously punished for attempting to overthrow the legally constituted government, or for killing dozens of people in the process.

"Surrender or die," Mrs Aquino told the rebels on the second day of the coup. There were people who died – mostly civilians. And eventually the mutinous troops swaggered back to barracks, flaunting their weaponry, and cheerfully shouting "time out" to onlookers.

Several of the officers known to have participated to this attempt also took part in the coup attempt of August 1987. The toughest sentence to be handed down on those who have been tried from the last batch of rebel officers was 12 years in jail, but the recipient, who would anyway have been living in some comfort, has escaped. But these officers, not least because of their penchant for appearing on television, are the only ones who could not escape being named.

Of course, apart from these people known to the authorities, there is a constitutional opposition to Mrs Aquino which – because of the relative compactness of the top echelons of Filipino society – has close ties to the military.

Take the controversial Senator Juan Ponce Enrile, for example. A former defence minister under both the late President Ferdinand Marcos and Mrs Aquino, he is credited with being the inspiration and father figure to the middle-ranking officers who established the potent Reform the Armed Forces Movement (Ram). Those officers, such as Colonel Gregorio Honasan, who was part of both the latest and the 1987 coup attempts, have been historically close to Senator Enrile.

But Mr Enrile, who in the past few years has also built up an impressive business empire, has been chosen to be a member of a committee set up to investigate the causes and perpetrators of the coup.

One of the men the committee will probably be looking at is Eduardo Cojuangco, a close and wealthy associate of Mr Marcos, who returned unexpectedly to the Philippines a couple of weeks ago from the US.

Mr Cojuangco faces a series of criminal charges related to earlier business activities. He fled from Manila on the same aircraft as Mr Marcos and had until recently been denied a new passport to return home. Mr Cojuangco happens to be a first cousin of Mrs Aquino and was close to Mr Enrile when they were both intimately involved in the highly lucrative coconut trade.

Then there is the scarcely less curious case of Salvador Laurel, the Vice-President of the Philippines. While the coup attempt was at its height he said from the safety of his hotel in Hong Kong that Mrs Aquino should consider her future and that he would be ready to serve in a military government "if it was for the good of the country".

Mr Laurel said he had nothing to do with the coup attempt, although he added that Mrs Aquino was quite unpopular and Col Honasan very popular. Some members of Congress would like Mr Laurel to be impeached for sedition, but none of them thinks it is likely to happen.

It is against this background that Mrs Aquino will again be seeking in the coming months to establish some form of authority. There are those urging her to act against her nature and be tough. Others urge her to be conciliatory to order to avoid widening and deepening the all too obvious fissures in the military.

As dawn broke over the financial district of Makati yesterday, the final stages of the "return to barracks" agreement was being negotiated between the rebels and the loyalists. Heading the government side was General Arturo "Boy" Enrile. Facing him across the table was Captain Danny Lim of the Scout Rangers. When Captain Lim married last year Gen Enrile was a "ninong" at the ceremony, an honoured role best translated as "godfather". It was therefore not too surprising to hear Gen Enrile dismiss suggestions that he was asking the rebels to surrender.

"There is no such word in the Scout Rangers' vocabulary," he proudly declared. "We are requesting them to go back to barracks to await the disposition of their rebellion."

The happy thing for military officers in the Philippines is that while governments may be made or broken, the officers seem guaranteed to end up on the winning team.

Rebel troops swagger back to their barracks from Manila's business district

Iraq says it tested rocket for space

By Victor Mallet, Middle East Correspondent

IRAQ announced triumphantly yesterday that it had launched a rocket capable of putting satellites into space, thereby fulfilling the first phase of its space programme.

Western officials immediately expressed concern about the large size of the missile, which suggests it could carry a nuclear or chemical warhead, but they said it was unlikely that Iraq had actually fired anything all the way into space this week.

If it had done so, there would be renewed fears in Israel, Tehran and elsewhere about Iraq's advanced missile manufacturing capabilities and its regional ambitions.

Details of the test were unclear. Mr Hussein Kamel, Minister of Industry and Military Production, told President Saddam Hussein that the rocket was launched from the Anbar space research base west of Baghdad on Tuesday, according to the official Iraqi media. He said the rocket was a three-stage system weighing 48 tonnes and measuring 25 metres long.

Mr Kamel, a son-in-law of the President, is one of the most powerful men in Iraq, but has been under intense pressure to justify the country's heavy spending on missile research and development.

The superpowers and the other industrialised nations, meanwhile, are equally determined that Iraq should not obtain the sophisticated missile technology it wants, for fear that President Hussein would be tempted to attack Israel or Iran or otherwise destabilise the Middle East.

It may be no coincidence that the Iraqi rocket was launched on the same day as a meeting in London of officials responsible for the Missile Technology Control Regime, perhaps as a gesture of defiance.

The MTCR – formally established in 1987 and adhered to by the US, Japan, West Germany, France, Britain, Italy, Canada and recently Spain – is designed to limit missile proliferation in the developing world by restricting exports of sensitive equipment. MTCR signatories have been particularly concerned about Iraq's efforts to develop a "Condor 2" missile in collaboration with Argentina and Egypt.

"We achieved a complicated scientific leap on Tuesday, December 5, when we successfully tested the launching of a three-stage rocket to outer space," Mr Kamel was quoted as saying by Baghdad Radio.

Correction

Indonesian loan

Indonesia's $500m syndicated loan signed last week in Hong Kong is being led by a group of 13 Japanese and European banks and not J P Morgan, the New York bank, as reported in some editions of Tuesday's Financial Times. J P Morgan is leading a $550m loan syndication for Freeport McCoran's copper mine development in Indonesia.

First challenge for Jordan PM

By Lamis Andoni

JORDAN'S experiment with democracy is facing its first big challenge as Mr Mudar Badran, the new Prime Minister, begins his struggle to secure a parliamentary vote of confidence in his cabinet.

It took the astute Mr Badran more than 48 difficult hours this week to form a government without conceding to demands from the influential Moslem Brotherhood for key portfolios – including education – following its success in Jordan's first general election in more than two decades. Now he has to confront the Brotherhood's opposition to some of his cabinet choices.

The Brotherhood won 20 seats and was counting on the support of a dozen Islamic independents in the 80-seat assembly, making it the single most powerful group.

Mr Badran, however, caused the first crack in the Islamic bloc by appointing six Islamic deputies while excluding the Brotherhood from the posts it coveted.

As a former Prime Minister for two terms between 1977 and 1984, Mr Badran is still blamed by some Jordanians for allowing the Brotherhood to increase its influence in the first place as a counterweight to the leftists.

But Mr Badran's opposition to the previous unpopular government of Mr Zaid Rifai – who was replaced in April after violent public protests – and his declared war against corruption have won him support and respect.

Despite being a former intelligence chief, Mr Badran also appears to have been pushing for a reduction of restrictions on organised politics since his appointment as Chief of the Royal Court in September.

Mr Badran could face opposition not only from fundamentalists but also from a coalition of leftists, nationalists, and liberals who have criticised his decision to appoint some ministers associated with the Rifai government. However, in his letter of appointment to Mr Badran, King Hussein instructed the government to continue liberalisation by lifting some restrictions on the press and cracking down on corruption – both likely to be popular.

Mr Badran's appointment has raised speculation about the future of relations with Syria. In 1985 King Hussein had to admit apologetically that under the previous Badran regimes, there had been Jordanian support for Moslem Brotherhood activities against Damascus.

Relations with Damascus are already lukewarm because of differences over Lebanon and other issues.

Meanwhile Mr Zaid Ben Shaker, the former Prime Minister, has been reappointed Chief of the Royal Court after supervising the elections.

Iran reduces dollar rate

IRAN is reducing the cost of dollars sold to importers by about 18 per cent, Mr Mohammed Hossein Adeli, Central Bank governor, announced on Tehran radio.

The move, which amounts to an upward revaluation of the rial for some purposes, is part of efforts to attract currency trade away from the black market to official dealings at a "competitive rate" introduced two months ago.

It should also help curb inflation by making imports cheaper. The new rate of 800 rials per dollar will take effect tomorrow.

The "competitive rate" applies to imports by state-related enterprises and purchases by private businessmen. It started at 1,000 rials to the dollar on October 8 and has been set recently at 975 rials by the Central Bank. The official rate, used for government dealings and subsidised basic commodities, is about 72 rials to the dollar.

Pretoria to cut length of draft

By Patti Waldmeir in Johannesburg

SOUTH AFRICA is to halve compulsory military service from next year, in a move which could substantially reduce defence spending.

Mr F.W. de Klerk, the South African President, said yesterday that the reduction in military service from two years to one was made possible because of the improved security situation in southern Africa.

National military service, which is compulsory only for white males, has proved increasingly unpopular in recent years and has been condemned by business leaders as a drain on the country's limited pool of skilled labour. Business organisations yesterday welcomed the move.

The number of conscientious objectors has risen sharply since the mid-1980s, when troops began to be used extensively to suppress unrest in black townships.

Mr de Klerk, speaking yesterday at Armscor, the state-run arms manufacturer, said the Government also planned other military cuts, including closing some units. He gave no details but Business Day, the Johannesburg financial daily, said last week the Government planned to cut the defence budget by as much as R1.5bn ($577m), or by 15 per cent.

The final withdrawal of South African troops from Namibia, which was completed last month as part of a UN-sponsored peace plan for the territory, should greatly reduce military spending.

Pretoria believes the withdrawal of 50,000 Cuban troops from neighbouring Angola will make an important contribution to regional stability.

The war against Swapo, the Namibian independence movement, which involved cross-border raids against Swapo bases in neighbouring Angola, had proved a great drain on Pretoria's budget.

● Several black organisations, divided over Pretoria's reforms, have decided to boycott a big anti-apartheid conference on Saturday, Reuter reports from Johannesburg.

The latest group to pull out, the National Council of Trade Unions (Nactu), said yesterday that ideological differences with other organisations prevented it from taking part.

Nactu is the second-biggest black labour federation in South Africa.

Other leftist groups, such as the Pan Africanist Movement, have already said they will not attend. Inkatha, the moderate Zulu movement, was also not expected to be present.

Nactu's main objection is the presence of leaders of tribal homelands at the conference.

The homelands, quasi-autonomous territories created by Pretoria, are condemned by radicals as extensions of apartheid race laws.

Brutality and hardened attitudes mark end of intifada's second year

Israeli public fears of Palestinians tie the politicians' hands and leave the army to cope with the resistance, writes Hugh Carnegy

JABER Hawash, a 17-year-old Palestinian member of the "Red Eagles", a notoriously violent gang from the West Bank town of Nablus best known for its brutal executions of alleged Arab collaborators, made the most of his moment of fame when his Israeli army captors handed him over to Israel television for an interview last weekend.

With cool self-assurance, he said he had no regrets about the eight fellow Palestinians he claimed to have killed by hand – he did not like using guns, he said. The people had to be "purified". One of his victims was his cousin. "I tied her up. I blindfolded her and I smashed her head with an axe."

Such chilling bravado is doubtless not unique in bitter conflicts such as the Palestinian uprising in the occupied territories, which reaches its second anniversary tomorrow. The Palestinians themselves have plenty of tales of Israeli brutality from the past 24 months. But Jaber Hawash's performance served as a lightning rod for the mixture of fear, suspicion and hatred many Israelis feel towards the Palestinians after two years of the intifada.

"Did you see that terrible interview? What he did to his own cousin? And these are the people we are supposed to deal with," exclaimed a Jerusalem woman.

Throughout the intifada, regardless of the perception elsewhere of an unrelenting Israeli "iron fist" against the Palestinians, inside Israel there has been a persistent tendency to see the uprising as a threat in which Jews are ultimately the victim. Concern about Israeli troops shooting dead Palestinian children tends to be eclipsed by things like the Hawash interview.

Opinion polls show a hefty majority of Israelis believe the Arabs are capable of inflicting a second holocaust. The first public priority has been to put down the uprising and steer clear of Arab areas and of Arabs generally.

In an analysis to late October of recent trends, Hanoch and Rafi Smith of Jerusalem's Smith Research Centre concluded that incidents such as the suicide attack in July on a Tel Aviv-Jerusalem bus, which killed 16 Jews, and the recent spate of grisly collaborator killings had hardened attitudes. Based on the findings of their latest six-monthly poll, they detected a reversal of a trend of a cautious willingness to make concessions to the Palestinians. Between March and September, support for a settlement based on exchanging land for peace slipped from 53 to 48 per cent.

At the same time there was a significant decline in the minority who felt Israel could live with a Palestinian state in the territories and in those prepared to accept as genuine conciliatory statements by Mr Yassir Arafat, the Palestine Liberation Organisation leader. Most spectacular of all, 52 per cent said they favoured expelling Palestinians from the West Bank "if no way is found to peace".

These attitudes would seem to explain the highly circumspect approach of the Likud-Labour coalition Government towards entering negotiations with the Palestinians. The Likud party of Mr Yitzhak Shamir, the Prime Minister, instinctively inclines not to make concessions and sees little public pressure to do so. The more conciliatory Labour Party feels public opinion could swing dramatically if the right opportunity for peace presents itself, but it has so far lacked the confidence to force Mr Shamir to choose between softening his stance or the break-up of the coalition.

The net result on the ground has been to leave the main burden of coping with the intifada to the Israel Defence Force. "The Government has decided not to decide what to do with the West Bank and Gaza," commented an officer.

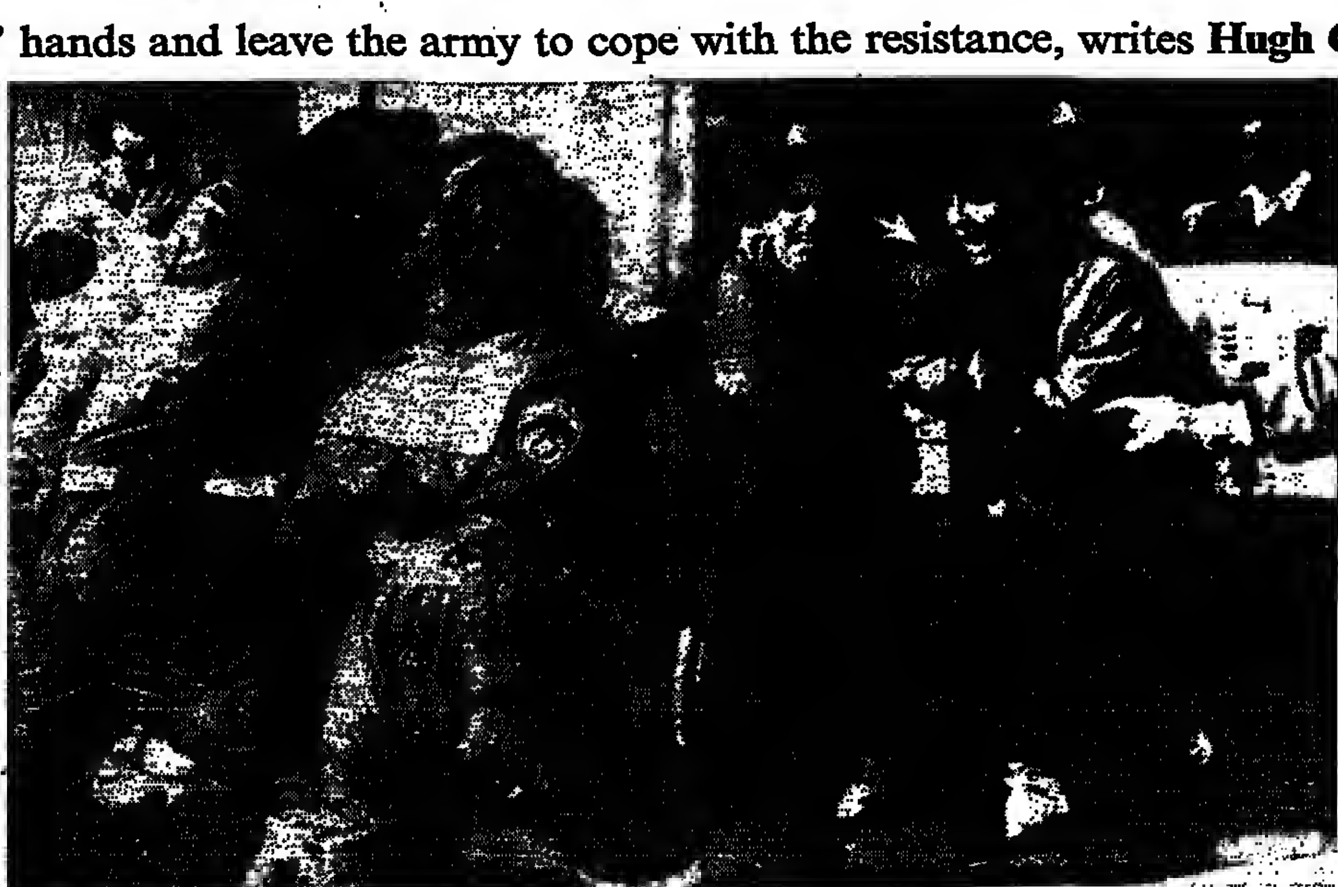
It is a role the IDF has never been entirely happy with. Its doctrine remains that its primary concerns continue to be the perceived external threats from its heavily armed Arab neighbours – notably Syria – and from terrorist incursions.

Mr Yitzhak Rabin, the Labour Defence Minister, said in a number of interviews this week that the authorities had succeeded in greatly reducing the scale of violent demonstrations in the territories – although he acknowledged the uprising has not been extinguished. This line does not at first sight square with the fact that the numbers being killed and wounded in the intifada – the total of Palestinians dead is well above 700 – have continued to mount with almost unbroken regularity. The army is quick to point out that a large number of those killed this year were collaborators executed by fellow Palestinians. But it is also true that the army has continued to use gunfire against the smaller, more confined incidents it now typically faces.

The army does not say it has suppressed or ever will suppress the uprising completely. It acknowledges thet, at least politically, the intifada is very much alive. But it feels it has gone a long way to reduce the violence. At the same time, IDF officers insist that it has learned to cope operationally, now spending no more than 4 per cent of the total defence budget on the intifada.

In the end the real point is – and here the army's disavowal of a political role looks a little disingenuous – that the cost to it of doing so has not outweighed its attachment to the territories. "Nothing has happened to change the thinking of the IDF of the strategic importance of keeping the mountain ridges and deploying the IDF in the territories," said an authorised army officer. Nor is the IDF keen to be seen by its Arab foes to have been weakened by the uprising. "If we withdraw under the pressure of this, the meaning is so earth-shattering that we have first to make it clear that we can control the situation," the officer said.

Tunisian riot police fought in the centre of the capital yesterday with Moslem militants demonstrating in support of the Palestinian uprising, Reuter reports from Tunis. Several hundred demonstrators waving their fists in the air and shouting, "There is no God but Allah. Israel is the enemy of God," marched down the main shopping street, Habib Bourguiba Avenue, until the police fired tear gas to disperse them. Witnesses said police fought hand-to-hand with some of the demonstrators and there were some injuries on both sides. There was no official word on the arrests but officials said the police broke up the demonstration because it was not authorised. Police arrested many demonstrators, the witnesses said. Tunisia has an influential Islamic movement which has so far been denied a role in political life. Thousands of militants were arrested in the last years of president Habib Bourguiba but Ben Ali set them freed when he came to office.



Israeli police disperse Arab women who gathered in Jerusalem to mark the second anniversary of the Palestinian uprising

US consumers positive over economic outlook

By Anthony Harris in Washington

US CONSUMERS remain fairly confident about the economic outlook, but their spending plans are soft, especially for cars and consumer durables.

This finding from the November consumer survey by the Conference Board, which covers some 5,000 households, suggests that the strong rise in personal saving marked in recent months will be sustained. Demand for consumer credit also seems like to remain at its very low recent levels.

The confidence index, which measures perceptions of economic conditions, fell by 2.7 percentage points to 114.3. This is its lowest level for a year, but it remains strongly positive.

However, there are growing doubts about bow long present conditions, which are overwhelmingly perceived as positive, can be sustained. While a majority of respondents expressing a view expect some improvement, less than a quarter were prepared to express any view, and the index of future expectations fell to 102.9, down 3.5 per cent from October.

Spending plans, by contrast, softened very sharply in the month. The percsutage of respondents planning to buy any major household appliance fell from 31.1 per cent in October to 24.4 per cent, while plans for buying new cars fell from 3.7 to 3.1 per cent.

Only the used car market seems likely to get any benefit from the money saved: buying plans rose from 2.2 to 3 per cent, which is in line with current reports from care dealers.

The consumer mood appears somswhst more confidsnt about the outlook for the whole sconomy than recent reports from industrial surveys would snggest, bnt the restrained buying plans underline the reports of soft market conditions contained in the latest purchasing managers' survey last week.

Mexican PRI accepts loss of Morelia municipality

By Richard Johns in Mexico City

THE RULING Institutional Revolutionary Party (PRI) has recognised the loss to the centre-left Party of the Democratic Revolution (PRD) of Morelia, capital of Michoacan, in last Sunday's municipal elections in which the occupancy of 130 town halls was at stake.

In contrast to its customary practice of immediately announcing a sweeping victory, the PRI only claimed to have won 54 of the municipalities by Wednesday, although Mr Angel Guerrero Mier, a member of the PRI's National Executive Committee, predicted that its victories would total 60 to 62 by the time the final results had been verified.

The PRD led by Mr Cuauhtemoc Cardenas claims to have won at least 60 of the townships and the usual post-electoral wrangle seems inevitable.

Yet the change of PRI style has generally puzzled political observers. The cynical and probably correct view is that in an exercise in "selective democracy," the ruling party feels that it can make concessions following what was generally regarded as a massive fraud in the votes for the state legislature on July 2.

Repeat of the widespread ballot rigging employed then, which resulted in the occupation by PRD supporters of 70 out of 113 town halls could meanwhile lead to an eruption of violence.

For ths Government that would be a gravs embarrassment following the violent confrontation between supporters of the PRI and members of the National Action Party in Culiacan, Sinaloa, last week after the final award by the electoral commission there of the mayorship to the PRI candidate in a poll held as long ago as October 8.

Election boost for Brazilian socialist

By Ivo Dawnay in Rio de Janeiro

MR Luis Inacio Lula da Silva, the socialist candidate in Brazil's presidential elections, yesterday received a big boost for his campaign, winning public backing from Mr Mario Covas, head of the Social Democratic Party of Brazil.

Mr Covas' decision – though largely symbolic – is a setback for the centre-right front-runner, Mr Fernando Collor de Mello, who had also solicited his backing in a bid to shrug off his opponents' claims that he is an arch-conservative.

Mr Covas, who won 8m votes in the first round of the two-phase contest on November 15 and supports a liberal economic policy, may have difficulty in persuading many of his middle-class supporters to back Lula. But his public stand will help the socialist candidate to project himself as moderate and responsible.

"There are substantial differences between the PSDB and the programme of the Workers' Party [PT]," he told reporters. "But that is not going to stop us backing Lula."

Nevertheless, it emerged that the long-hesitant Mr Covas will not go so far as to join Lula on the platform at public meetings for fear of alienating his more conservative supporters.

As the campaign moved into its last 10 days before the decisive December 17 poll, Brazilian electors could be forgiven yesterday for imagining Christmas had arrived early. Both candidates and their aides continued to woo the undecided with a series of promises intended to capture the fiercely disputed middle-ground.

In Rio de Janeiro, a left-wing heartland, Mr Collor promised a hostile crowd that he would continue and extend a local programme of comprehensive community schools to the nation as a whole.

Lula, meanwhile, recently told worried businessmen he would contain wage pressure in the early days of his government and not extend the state sector.

The latest poll shows the gap between the two candidates narrowing slightly to 49 per cent for Mr Collor and 41 per cent for Lula.

Fra Fra confounds the Chilean pollsters

Robert Graham in Santiago ponders the success of the third presidential candidate

POLITICAL gadfly, public nuisance or the true voice of Chile: Francisco Javier Errazuriz has been cast in all these roles while standing as the third candidate in Chile's presidential elections.

With a small organisation and even less political experience, Mr Errazuriz has proved the most effective communicator of the campaign. His home-grown mix of paternalism, good humour and patriotic talk without reference to any party has touched an unsxpected chord. "Fra Fra," as he likes to be called, is a wild card disturbing the pack.

Mr Patricio Aylwin, the veteran Christian Democrat candidate of the 17-party opposition coalition, is still favoured to win an absolute majority in the first round on December 14. But if he fails, it will be because "Fra Fra" has stolen votes from both him and Mr Hernan Buchi, tbe former finance minister who is the government candidate.

"Our own polls show Errazuriz has 27 per cent of the vote, and if we go to a second round, he could win by picking up all those who went for Buchi the first time round – assuming that he does better than Bnchi," says Mr José Antonio Cusino, his campaign adviser. Such projections are dismissed as wildly optimistic by the other two candidates' pollsters. Nevsrtheless, the Buchi camp admits he is causing damage. Mr Buchi's highest current poll is around 27 per cent against over 55 per cent for Mr Aylwin.

The career of "Fra Fra," a 47-year-old agricultural economist, reads like the personification of Chile's "economic miracle." He started off in farming in 1964, moved into agri-business, transport, then construction. By the mid-1970s he was dabbling in financial services and had picked up the dealership for Datsun and Nissan as well as other dealerships for foreign companies selling agricultural equipment.

With the hulk of his investments in the booming export-oriented agricultural sector, ha rode the 1981-82 crash and was able to pick up the country's largest supermarket chain, Untmarc. He also became involved in banking and latterly in the rapidly developing pension fund business.

Aylwin: still favourite

His message is simple, even simplistic. He projects himself as the benevolent manager of a successful company in which all down to the coffee boy have a chance of rising to the top, if not of enjoying the rights of health and education in a Catholic society that honours the family.

"The other two candidates take their political references from the past, or before 1973 [when General Pinochet seized power]. But Chile has not just changed socially and economically in the past 16 years – it has also changed politically. Traditional politicians do not automatically have the right to stand, a businessman can as well," says Mr Cusino of his protégé.

"Fra Fra" has capitalised on the way Mr Buchi was imposed on the right by General Pinochet. He also appeared more convincing than Mr Buchi when talking about extra resources being devoted to the poor's health and education needs. Mr Buchi, while in office, was known as the man who tightened the purse on such spending to promote broader economic growth.

The chink in "Fra Fra's" appeal is the lack of any party structure, as these elections will also choose a new congress and senate. His support is coming from the lower middle class, whose incomes have not benefited from Chile's economic miracle, and from the more extreme elements on the right who mistrust Mr Buchi.

He has drawn further support by playing the outsider and the victim. Just as he began his campaign in May, the government intervened in the bank he owned, Banco Nacional, and he then suffered a heart attack. The government underestimated the damage he could cause to Mr Buchi and now it may be too late to sabotage him by questioning his business career.

In more general terms he represents a phenomenon seen elsewhere in Latin America – the popularity of a man standing against the political establishment without any clear platform. "Fra Fra's" programme came out only this week and reads more like the eccentric wishes of a businessman keen to become a patriotic philanthropist.

California to limit car insurance rises

By Louise Kehoe in San Francisco

CALIFORNIA'S State Insurance Commissioner has ordered a rate increase limit on car insurers as part of a new regulatory regime designed to implement Proposition 103, the "insurance revolt" ballot measure passed by the state's voters last year.

The "emergency regulations" imposed by the Insurance Commissioner on Tuesday appear certain to prompt new challenges in the year-long legal and regulatory dispute between the state and big insurance companiee over Proposition 103, which mandated a 20 per cent cut in car insurance premiums throughout the state.

Insurance companies have poured millions of dollars into efforts to challenge the statute, which for the first time brings state regulation to the largest car insurance market in the US, with annual premiums of well over $4bn.

Consumers are angry that the cost of comprehsnsive insurance for an average family car in San Francisco and Los Angeles is now well over $1,000 per year for drivers with a good record.

In a move to placate consumer groups, the Insurance Commissioner, Ms Roxani Gillespie, barred the use of "territorial rating", by which insurers set higher premiums for car insurance in urban areas of the state.

Proposition 103 mandated an end to the practice.

Although Ms Gillespie said the move was expected to lead to increased premiums for drivers in rural areas, she imposed a cap on rate increases to minimise the effect. No car insurance premium can rise in one year beyond the increase in the national consumer price index for the previous year.

Argentine talks with UK end on positive note

By Gary Mead in Buenos Aires

DIPLOMATIC and military staff of Argentina and Britain have concluded two days of "confidence-building" talks in Montevideo, aimed at eliminating potential sources of conflict between the two countries in the South Atlantic.

The Uruguay meeting, part of a series initiated in New York in August, appears to have passed off without any unforeseen development. It paves the way for a further session in Paris on December 18, where the main subject will be fishing. A further high-level meeting is planned for February in Madrid, which it is thought is likely to result in restoration of full diplomatic relations, broken since the Falklands conflict of 1982.

The Montevideo talks ended with a three-point communiqué, which included the statement that "the meetings took place in constructive and cordial spirit and both delegations reaffirmed their desire of advancing the normalisation of Anglo-Argentine relations".

Colombia reels from latest drugs war blow

A TOTAL of 188 people have died in apparent drug-related violence since the government of President Virgilio Barco began its drive to rid Colombia of the cartels believed to be responsible for most of the cocaine smuggled into the US and Europe, Reuter reports from Bogota.

In the latest attack 52 people were killed in a bomb blast outside the headquarters of the secret police. It was the most devastating ground assault against the government since it embarked on the war against the drug cartels in August.

Wednesday's explosion also wounded 653 people and destroyed most of the headquarters of the security and intelligence agency. The head of the agency escaped death because he was protected by armour plating in his ninth-floor office.

"We are not going to allow ourselves to fall before the bloody terror of the narco-terrorists," President Barco said in an address to the nation which was relayed by satellite from Tokyo, where he is on a state visit.

"They will not defeat us; we will continue the fight; their war is against all of Colombia and democracy," he added.

In Medellín, the northern Colombian city at the hub of the country's cocaine trade, seven more explosions were heard on Wednesday night, radio reports said, adding that two of the blasts appeared aimed at evangelical protestant churches.

El Tiempo, Colombia's biggest paper, yesterday proclaimed: "Narcos turn Bogota into a Beirut." Wednesday's blast came less than two weeks after a bomb brought down an Avianca Boeing 727 jetliner, killing all 107 people aboard.

The latest explosion, consisting of 1,100 pounds of dynamite stashed in a truck, was touched off just outside the high-rise headquarters of the Department of Administrative Security (DAS), an agency in the front line of the drug war. It ripped off the entire eastern outside wall of the building and killed 11 DAS officials, the agency said.

Poland and US unveil $900m cable TV project

By Nancy Dunne in Washington

THE first US-Polish communications joint venture, a $900m 20-year cable television project, will bring American news, sports and rock music programming to Poland next year.

Chase Enterprises, a privately-held diversified US holding company, and the Polish embassy in Washington yesterday announced the project, calling it the largest cable television joint venture in the world.

After three years of negotiation, Polska Telewizja Kablowa (PTK) is to begin phase one of construction in January, for 1.8m homes in Warsaw and Krakow. It hopes that the service will be available between June and September and expansion will follow in Gdansk, Katowice and Poznan.

The initial investment is estimated at $270m. Mr Roger Freedman, for Chase Enterprises, said the service would be priced at levels considered affordable to most Poles – from $6 to $8.50 a month. Repatriation of profits is not considered a problem; most will be reinvested in Poland.

Chase's Polish American Cable Television will hold 70 per cent of the venture with 30 per cent, paid in zlotys, held by Poltelkab, a partnership of Polish state enterprises – including the Polish Postal Service, Telephone and Telegraph Company, and Polish Radio and Television Productions Company – and the Warsaw and Krakow municipal governments.

Mr Freedman said the partners might seek underwriting protection from the US Overseas Private Investment Corporation.

The programming for the system is not yet decided, but is expected to include the CNN news channel; ESPN, sports; MTV, rock videos; movies, and drama.

Mr David Chase, chairman and chief executive officer of Chase Enterprises, based in Hartford, Connecticut, is a Nazi concentration camp escaper who emigrated to the US at the age of 17 in 1946. He is leaving for Poland tomorrow to investigate real estate, insurance and banking ventures.

The television project was warmly welcomed by Mr Jan Kinast, the Polish Ambassador, a member of the Polish resistance in the Second World War who was also held in Nazi concentration camps. He called the project proof that Poland was on the road to "profound political and economic change".

Davignon urges simplified trade control regime

By Nancy Dunne

VISCOUNT Etienne Davignon, chairman of the European Round Table of Industrialists, has suggested that the EC adopt and guarantee enforcement of a simplified, transparent export control regime on technology transfers to Communist countries.

Viscount Davignon, the former EC Industry Commissioner, was in Washington this week meeting business leaders, representing the US and EC Round Tables, to discuss issues raised by the formation of a single European market, the General Agreement on Tariffs and Trade Uruguay Round on liberalising trade, and developments in Eastern Europe.

CoCom, the Viscount said, was now a "procedure" which is not legally binding. As events in Eastern Europe become clear, the procedure should be simplified and made "the joint responsibility legally of the EC" to reassure the US that Europeans are prepared to abide by an agreed-upon set of export controls.

EC businesses which then violate the rules would become subject to European law.

MPs back reduction of CoCom export curbs

By William Dawkins in Paris

MPs from nine European countries yesterday adopted a report calling for an end to many of the restrictions on sensitive Western technology exports to Communist countries.

The study, accepted unanimously at the six-monthly parliamentary assembly of the Western European Union (WEU) – which embraces the European Community minus Ireland, Greece and Denmark – will be considered by foreign and defence ministers over the next few months. Ministers will then decide, at a meeting next spring, whether to call on their governments to adopt the report's findings as policy.

It calls for a complete review of the export curbs administered by the 17 governments in CoCom, the Co-Ordinating Committee for Multilateral Export Controls, which aims to stop exports of militarily useful technology to 13 Communist countries.

The extraordinary developments in the Eastern bloc in recent months make CoCom's controls look like a "relic of the cold war," says the report, by Mr David Atkinson, a British Conservative MP. The assembly also agreed to hold a special session early next year to hammer out a broader reaction to Eastern bloc political changes.

To decide how to reduce its controls, CoCom first needs to carry out a fundamental reassessment of the state of Soviet technology, the assembly agreed.

It called for common rules against those who try to cheat CoCom restrictions – already high on CoCom's own agenda – and talks with Communist countries on getting effective on-site inspection procedures to check that freely traded Western technology is not being used for aggressive purposes.

The forthcoming CSCE (Conference for Security and Co-operation in Europe) talks in Bonn next spring would be the ideal forum for discussing CoCom's future, said the assembly.

In an amendment slipped in at the last moment, the WEU assembly also called for Western co-operation to stop the sale of technology to terrorist groups anywhere in the world.

Brazilian battle over satellite contract

By Ivo Dawnay in Rio de Janeiro

A FIERCE struggle is under way within the Brazilian government over a $150m (£95m) contract to build the country's second generation of communications satellites.

With the long-delayed decision believed imminent, observers suggest the choice between Hughes, the Californian enbsidiary of General Motors, and a consortium linking Spar of Canada with Matra of France may well be decided on political grounds.

Earlier this year, Mrs Carla Hills, the US Trade Representative, intervened by writing to the Brazilian government in support of Hughes. Opponents of the US bid argue that its price advantages do not compensate for more generous concessions on technology transfer made by the Franco-Canadian consortium.

According to the Folha de São Paulo newspaper, Mr Antonio Carlos Magalhaes, the Communications Minister, is refusing to accept a report from the state telephone companies, Embratel and Telebras, strongly favouring Hughes.

The report claims that the Spar-Matra proposal will involve real additional spending of $124m. Intense lobbying has been under way by both sides, with Brazilian companies lining up behind the contestants. Spar is understood to have won the support of Mr Roberto Marinho, owner of the Globo TV empire and an associate of the minister.

El Al signs flight deal with Aeroflot

EL AL, Israel's state airline, said yesterday it had signed an agreement with Aeroflot, the Soviet national carrier, to start scheduled flights between Tel Aviv and Moscow for the first time, Hugh Carnegy reports from Jerusalem.

Despite news agency reports from Moscow quoting a civil aviation official as denying a deal had been done, El Al said Mr Rafi Harlev, its director general, had signed an agreement with Aeroflot's management in Moscow on Wednesday allowing initially for one flight a week by each airline.

BNL overshadows Rome-Baghdad talks

By John Wyles in Rome

REVERBERATIONS from what has become known as the "BNL Atlanta affair" appeared yesterday to have been an obstacle to the hoped-for regeneration of commercial relations between Italy and Iraq.

A two-day meeting at ministerial level of their joint trade committee failed to resolve the key problem, concerning the delivery of 11 naval ships ordered during the Iran-Iraq war and then blocked by an Italian arms embargo from 1986. The Iraqis had paid $1.3bn (£825m), about half the cost of the order.

Iraqi negotiators were reluctant to take delivery of all the vessels without updating and an additional contract for 10 naval helicopters. These issues are to be returned to a joint working group. Italian sources admitted that overall progress had been limited by Iraq's introduction of its demands for the payment of $920m of credits improperly allocated by the Banca Nazionale del Lavoro's Atlanta branch but not yet drawn down.

Altogether $3bn of credits were granted to Iraq from Atlanta without the knowledge of the BNL headquarters in a scandal being investigated by US and Italian authorities.

The Italian government decided this week that it would not assume responsibility for any decision on the credits, which it told Iraq were a matter for BNL to resolve, despite the fact that the bank is controlled by the Treasury.

This did not satisfy Iraq and seems to have limited the possible results from the meeting. The most positive was an Iraqi agreement to begin repayment, with interest from next year and with capital from 1992, of L1,000bn (£486m) of debts due to Italian companies.

It emerged that Iraq is discussing possible new contracts with Italian companies for $2.5bn and Rome made it clear that it would be ready to open fresh credits for such contracts providing the problem of the naval ships was settled first.

Small gauge, big role for Alps rail

Anthony McDermott on tourism and trade hopes in Ticino canton

HOPES are being pinned on the development of a small railway line between Locarno and Domodossola in Italy to expand tourism in Ticino, the Italian-speaking canton in the south east of Switzerland, and to boost east-west transport links in the country.

On the Italian side the narrow-gauge rails pass mainly through plains before snaking steeply uphill amid vineyards and chestnut groves to a peak at Santa Maria Maggiore. In Switzerland, it is know as the *Centovalle* railway – that of a hundred valleys – as it twists through tunnels and over deep gorges on audaciously-constructed bridges and viaducts.

The line between Domodossola and Locarno is only 52km and takes, at present, 90 minutes. It has no fewer than 346 curves, 34 stations, 83 bridges and 31 tunnels.

Besides being spectacular, the ride has its charms. When the special carriage pauses on the Italian side in a siding at Trontano to permit the regular train to pass, the engineer has been known to shin up a ladder to bring down bunches of dark blue *uva americana* grapes to provide sustenance for the rest of the trip.

The 32km on the Italian side is run by Società Subalpina di Imprese Ferroviarie (SSIF). The Ferrovie Autolinee Regionali Ticinesi runs the rest and the two companies co-operate closely through an inter-state contract.

It is noticeable – and the Swiss are somewhat smug about this – that the automation of points and maintenance are of a higher standard on their side. In the long term, and within the context of a Swiss national project called Rail 2000 introduced in June this year, the privately-owned SSIF will be ready for a friendly takeover by the Swiss in the mid-1990s so that management of the whole line can be under one board.

Mr Dirk Meyer, the Swiss vice-director, has ambitions for his railway. In the short term, one is to complete the upgrading of the tracks. This has already started and he hopes that, when it is combined with a new terminus in Locarno (to open in 1991), the journey time will be reduced by 10 minutes. Eight new coaches and trains are being purchased at a cost of SFr47m (£19m) from Ateliers de Construction Mécaniques in Vevey (part of the Asea Brown Boveri group of Baden) for delivery from December 1991.

The Swiss company is anomalous in that, although it has a private holding of only just over 7 per cent – the rest coming from the communes of Ticino and the federal government in Bern – it is classified as private. The railway sector – the company also runs buses and trams – is a loss maker. Losses in 1988 amounted to almost SFr3m. These are covered under the Federal Railway Law of 1957 by the Government and the canton.

It justifies its existence on many levels. The railway acts as a commuter link, although 70 per cent of its passengers are tourists. Their numbers have hardly expanded. In 1983 they amounted to 599,546, reached a peak of 612,810 in 1987 and fell to 573,363 last year. The quantity of freight carried is negligible – about 90 tonnes a year.

Nevertheless, according to Mr Meyer, it earns Locarno through passenger transport about SFr8m a year. But, he argues strongly, besides the commuter and tourist traffic, the railway provides a useful link both with the major Simplon and Gotthard European rail networks and between the Swiss cantons of Ticino and Valais in the west.

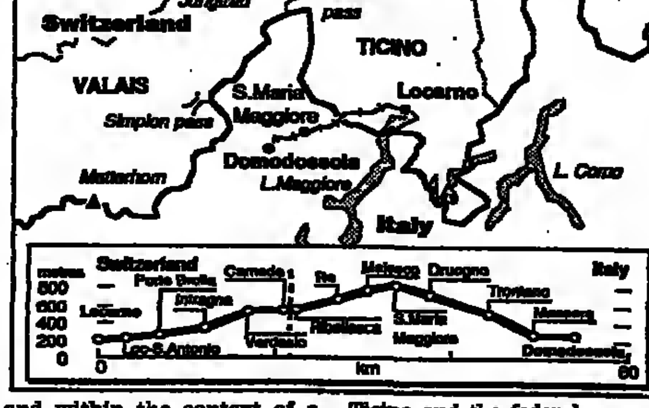
It could, when the journey time is speeded up, help to provide the swiftest route from Ticino to both Geneva and Bern, the capital, challenging even Crossair, the national internal airline.

But Mr Meyer hopes to justify and offset his railway's losses not just through this role, but by making it a fulcrum for regional tourism. "Our marketing objective for foreigners going to Switzerland is to persuade them that, after seeing the Jungfrau and the Matterhorn, it is valuable to see the southern part of the Alps," he says.

The landscape of the Italian Vigezzo Valley and the Centovalle is enough to justify this aspiration. The cable car (another of Mr Meyer's responsibilities) from Verdasio up the steep hillside to Rasa offers a devastating view of the river running through the central gorge and of the picturesque villages.

Mr Meyer wants travellers to break their journeys and take cable cars up the hillsides to enjoy the scenery. At Re there is a remarkable church, dedicated to the Madonna di Re, containing extraordinary paintings – dating back to the 18th century – and modern photographs depicting disasters that have either just been avoided or proved fatal.

There is much potential. And some idiosyncrasy. Mr Meyer, who will probably be in full charge from the beginning of next year, had doubts about his company's acronym. He has changed his mind. "It is, in its own way, unforgettable".



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PLANNED LEGISLATION

TV code may be changed before becoming law

By Raymond Snoddy

THE Government made clear yesterday that it was prepared to consider changes to its new controversial broadcasting bill - a bill designed to promote competition and choice but which will also ultimately award commercial licences to the highest bidder in all but exceptional circumstances.

Mr David Mellor, the Home Office minister responsible for broadcasting promised yesterday on the day the bill was published that it was not a biblical text.

"It is the best fist the draftsmen could make of it. We are certainly willing to listen," Mr Mellor said.

"I would be astonished if the bill doesn't have significant differences when it ends its parliamentary passage," the Home Office minister added.

The bill will provide for the creation of a new national fifth channel capable of reaching up to 70 per cent of the UK, three national national commercial radio networks and several hundred local and community radio stations. It will also allow broadcasting companies to be taken over for the first time: although the agreement of the new industry regulatory body the Independent Television Commission will be needed.

The Government's plans came under immediate attack yesterday from Mr Roy Hattersley, deputy leader of the Labour Party.

Mr Hattersley said the quality of British broadcasting would deteriorate as a result of the Government intention to " sell independent franchises to the highest bidder." There was nothing in the Government's quality standards about drama, documentary programmes, educational or religious programmes.

Deloitte Haskins & Sells, the accountants and management consultants last night forecast a significant influx of foreign investment into the UK television industry as a result of the Government changes .

The " sealed bid " procedure following a quality threshold seemed tailor-made for companies from other European Community countries, according to Deloittes.

Government's new legal Bill allows for 'evolution'

By Robert Rice, Legal Correspondent

THE Government gave the first indication that its planned reforms of the legal profession might not lead to major changes in the existing rights of barristers and solicitors to appear as advocates in the higher courts.

Speaking following the publication of the Courts and Legal Services Bill, Lord Mackay, the Lord Chancellor, the senior politician in charge of the judiciary, said the Bill provided the machinery for resolving the dispute between barristers and solicitors on rights of audience in the higher courts.

But he rejected a suggestion that the Government had missed an opportunity to resolve the dispute once and for all by making specific rules. "Huge change in this area might not be right. Evolution may be a better way forward", he said.

Among the Bill's main proposals are measures to allow banks and building societies to do conveyancing and the establishment of an Authorised Conveyancing Practitioners' Board to regulate them.

The Bill was welcomed by the Law Society, the solicitors' professional body. Mr David Ward, the society's president said it was a "real improvement" on the original proposals on rights of audience which had prompted a storm of protest.

They came, they saw, they left engineering

By Nick Garnett

HAS there been a miracle transformation in managerial attitudes within Britain's manufacturing companies? You must be joking, says this year's crop of UK engineering graduates.

An independent survey of 1,850 final-year engineering students, almost all of whom have had work experience in companies, shows a deep-seated disillusionment with the way manufacturers treat engineers.

The status of engineers within those companias remained poor, middle managers were obstructive and hindered progress and salaries were far too low.

As a result just 35 per cent of these graduates intended staying in engineering, according to Imperial Ventures (IVL), the company which carried out the survey.

One of the most disturbing aspects of the IVL report was that of the one third of students sponsored by a manufacturer, 44 per cent said their experience in their sponsoring company had tended to turn them off engineering.

IVL, whose report was sponsored by a dozen large British companies including British Petroleum, GKN and Lucas, said one of the reasons for this was a perception that engineers were not given enough interesting or important projects.

The report is upsetting for British companies because they are already facing great difficulties in recruiting engineers. Between 1985 and 1988 applications for engineering and technology courses fell by 22 per cent.

At the press conference to present the report yesterday, the way manufacturing companies used engineers was defended

Mr Denis Filer, director general of the Engineering Council, agreed there were many problems with the status of engineers in the UK but said the students had some misconceptions about manufacturing. They had not worked long enough in it to realise how many positive changes had occurred over the past 10 years.

Lloyd's business distinctions to end

By Patrick Cockburn

LLOYD'S of London, the private insurance market, is to end the division of its business into the four traditional sectors of marine, non-marine, aviation and motor which it says has become a barrier to some types of insurance being placed in the market.

The change will take effect from the beginning of 1991 to enable syndicates to obtain the necessary underwriting expertise and to ensure that Lloyd's 31,000 members or Names are fully informed about the change.

Mr Alan Lord, Lloyd's chief executive, said yesterday that the move will make it easier for clients to seek cover on a single policy for a wide range of risks cutting across traditional market barriers. The market would also obtain greater flexibility in using its £11bn capacity.

Lloyd's originally developed as an insurance market for shipping in the eighteenth century but has taken non-marine business on an equal footing with marine since 1903 and the aviation market has constituted a separate sector since 1951.

Over the years, however, the market barriers have never been absolute with marine syndicates taking a proportion of non-marine business. Insurance of energy risks is done by both marine and non-marine underwriters.

Lloyd's brokers were yesterday generally in favour of syndicates being able to underwrite all types of risk, but cautious about the extra business it would generate. Mr David Rowland, chairman of Sedgwick Group, the insurance brokers, said that he saw the decision as part of a general long-term shift by Lloyd's towards greater sensitivity to the needs of clients.

However, underwriters at Lloyd's have been increasingly critical of the ending of traditional barriers which was opposed by market associations uniting underwriters in the four traditional sectors. The main objection to the ruling is that premium rates may be squeezed by big syndicates looking for new business outside their traditional sectors. Small syndicates with specialised business could also be threatened.

Opposition presses charges of 'sweeteners' in Rover sell-off

By Kevin Done, Charles Leadbeater and Ralph Atkins

ADDITIONAL "sweeteners" were involved in British Aerospace's takeover of Rover last year, including raising the limit on foreign ownership of BAe shares, Mr Gordon Brown, Labour trade and industry spokesman, claimed yesterday.

As the opposition intensified its pressure on the Government over its handling of the Rover takeover, Mr Brown disclosed copies of confidential letters between Lord Young, Secretary of State for Trade and Industry, and Professor Roland Smith, BAe chairman, written shortly before the deal was finalised last July.

A separate confidential record, disclosed by Mr Brown, of a meeting of the BAe steering group formed to handle the Rover takeover negotiations, reveals how talks between Lord Young and BAe centred on "bridging" the gap created by the European Commission's insistence on cutting the Government's planned cash injection into Rover by around £250m.

One "indirect" concession discussed and raised by Professor Smith in his letter was the raising of the limits on foreign ownership of BAe equity. In a reply of July 12 last year Lord Young said he was willing to consider this proposal "sympathetically."

This change in the company's articles of association was cleared by the Government in August when the limit was raised from 15 to 30 per cent.

Mr Brown claimed that the other additional sweeteners included tax arrangements favourable for BAe. Mr Brown said that while the tax advantages were calculated by Brussels to be worth £25m and BAe calculated them at £33m, the maximum could be £65m.

BAe also sought early payment of launch aid for Airbus, in which BAe is a 20 per cent shareholder, as one way of "bridging the gap."

The exchange of letters reveals how Lord Young advised BAe on the risks of the European Commission "picking up" the secret financial concessions and warns of the need to "avoid unnecessarily raising the profile of the issue".

Mr Brown said the documents showed how the "Government planned to conceal and to deceive the European Commission and the House of Commons even to the point of weighing the risk of being found out according to what particular course and deception was followed."

Mr Brown called for a full statement from Mr Nicholas Ridley, Trade and Industry Secretary, and called on Mrs Margaret Thatcher, the Prime Minister, to "explain her role in this deception of the European Community and of Parliament."

The Prime Minister was again forced on to the defensive in the House of Commons yesterday, as she faced an accusation by Mr Roy Hattersley, deputy Labour leader, that the Government had entered into "calculated deception". In heated House of Commons exchanges, Mr Hattersley said the Prime Minister was going to the European summit in Strasbourg with a "tarnished reputation".

The Public Accounts select committee which is examining the Rover sell-off, is likely to meet privately within the next week to decide how to proceed with its investigation.

Ministry serves up a microwave confusion

Jimmy Burns looks at repercussions of tests showing some ovens fail to kill bacteria

AMONG the Christmas advertising in the newspapers this week, two groups in particular appear to have been vying with particular urgency for readers' attention.

One group, retailers, has been plugging competitively priced ranges of microwaves. The other, leading microwave manufacturers, has provided a checklist of correct usage for the machines, aimed not just at cooking fast and efficiently, but more pointedly at how to kill the poisonous organism known as listeria.

Earlier this week, public concern was fuelled by a Ministry of Agriculture report which said that of 102 microwave ovens tested, nearly a third had "cold spots" at which food was not heated to the 70 degrees centigrade necessary to kill bacteria.

Since then, retailers and manufacturers have been forced into a damage limitation exercise aimed at ensuring that such concern with one of the fastest growing consumer durables of recent years does not provoke a big slump in crucial Christmas sales.

Last night, Mr Jim Collis, director general of Amdea, the electrical manufacturers association, said he had become "increasingly encouraged" by reports that consumers are "totally confident in the efficiency and safety of microwave ovens."

Amdea had been inundated by calls in the previous 48 hours after its routine office switchboard had been published as a "hotline" by one national newspaper. It has also been carefully monitoring popular phone-in radio programmes and has kept in close touch with retailers.

Not everyone yesterday agreed with Mr Collis that the issue had been blown out of proportion and was only now being returned to its proper dimension.

The Consumers' Association, which has been at the forefront of demands to have the names of offending microwaves named, has welcomed the decision by Amdea to make public a list of the makes and model numbers of all the ovens tested for the Ministry of Agriculture, Fisheries, and Food, by the AFRC Institute for Food Research.

According to the CA's director Mr John Beishon, the list offers some help to microwave owners, especially those whose machines are designated "satisfactory." But although the association said last night that public inquiries about microwave ovens had tapered off over the last 24 hours, their advice was still that there should be no room for complacency.

The CA insists that although the advertisements in the national newspapers are a step in the right direction, better and fuller information needs to be provided on specific models which have been covered by the Government tests.

There was also lingering concern last night about the way the Government had handled the whole issue, with the CA suggesting that the MAFF had met the public's right to know by an unnecessary tortuous route.

Mr Beishon for the Consumers' Association said the "real issue" was the MAFF's "responsibility to make sure that consumers are given all the information available."

Some leading makers whose products have been cleared by the tests are understood to believe that the Government has unnecessary confused matters and feel that they have been damaged by the MAFF's mishandling of the microwave report.

The ministry was last night insisting that it had reacted "with speed" in producing the report initially and had acted correctly by advising consumers to seek clarification from manufacturers.

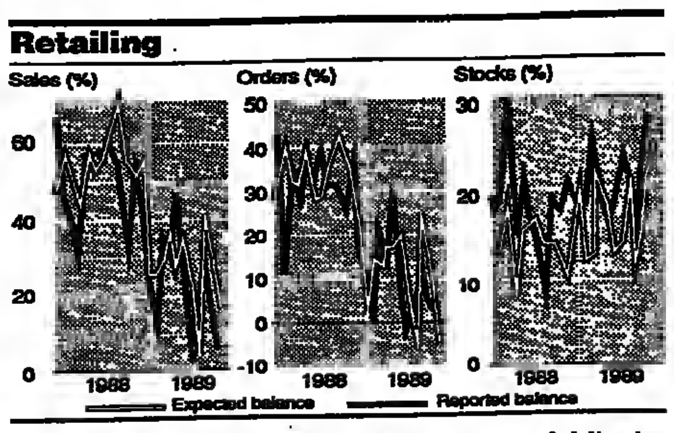
Against the background of continuing controversy, some retailers were last night still adopting a cautious "wait and see" attitude before predicting a longer term effect on sales.

Dixons, the electrical retailers, which stocks six brands of microwaves cleared by the government test, but which has removed a seventh from its shops, predicted that it was "very early days" to gauge the real reaction of consumers.

UK NEWS

Sales outlook gloomiest for nearly eight years

By Patrick Harverson, Economics Staff



HIGH interest rates and rising mortgage costs have led to a substantial weakening in domestic demand and a growing build-up of unsold stocks among Britain's retailers, wholesalers, and motor traders.

Investment plans have been cut and the sales outlook for the next three months is the gloomiest for 6½ years.

These are the main findings of the November Confederation of British Industry/Financial Times distributive trades survey. They provide further evidence that the Government's tight monetary policy is biting hard, particularly in the high street.

Mr Andrew Sentance, director fo economic affairs at the CBI, the employers association, said: "With trading conditions tough for some time, confidence about short run business prospects has now deteriorated across the distribntive sector."

A clearer indication of high street spending in November will come on Monday, when the provisional estimate of retail saltes is released by the Central Statistical Office. The City expects retail sales volume to have risen by 0.4 per cent last month.

According to the survey, which covered 460 companies in retailing, wholesaling and the motor trades between November 13 and December 1, overall sales remain depressed and poor growth is expected in December and over the crucial Christmas period.

Of tha companies polled, 39 per cent reported higher sales volumes in November compared to a year ago, while 33 per cent said they were lower. The difference between the two, which gives a guide to the trend in sales growth, was 6 per cent, well down on the positive balance of 18 per cent recorded in October's survey.

Six per cent of companies expect better sales in December than last year, which suggests that growth this Christmas will be modest compared to recent years.

Distributors' stocks rose sharply in November; a balance of 33 per cent said the stocks were higher last month.

The CBI said orders placed by distributors with suppliers were actually lower in November than last year, the first time that a negative balance on orders had been recorded.

There was better news on prices and imports. The survey found that distributors' selling prices slowed significantly in November, reflecting slower price increases in wholesaleing and the motor trades.

A balance of 66 per cent of distributors reported higher prices than a year ago, compared to 85 per cent in October. A balance of 61 per cent said they expected prices to rise this month, well down fom the 85 per cent in the previous survey.

The CBI found that overall, imported supplies made up a larger proportion of deliveries than a year ago, but that tha rate of growth of imports was still slowing. A balance of 9 per cent of companies reported higher imports than last year, down from 20 per cent in November 1988.

Among retailers, the balance of respondents reporting better sales than a year ago was 6 per cent, compared with 16 per cent in October. This was the second lowest result on record. A balance of 17 per cent expected an increase in sales this month relative to last December.

Growth in orders placed to retailers also slowed in November. The balance of firms ordering more from suppliers than last year was 2 per cent, down from 6 per cent in October. A balance of 28 per cent reported higher stocks in relation to expected sales in November.

The ontlook for capital expenditure is even gloomier. For the first time on record retailers expect to invest less over the next 12 months than they had in the past year.

Motor traders continued to report sales below last year's volumes.

Parliamentary report warns of destabilising effect of laundered money

Britain seen as home for drug traffickers

By Richard Donkin

THE UK is regarded in the US and Canada as an offshore banking system which can be used by drug traffickers who are estimated to be earning at least £1.8bn from drugs smuggled into the country, according to report by a committee of MPs.

The report by the Home Affairs Committee warned that so mnch drug money was circulating in the UK that it could have a destabilising effect on smaller financial insititutions if they found their volumes cut by the culmination of a successful detection operation.

Mr Barry Price, head of the National Drugs Intelligence Unit based at Scotland Yard said in the report that his department was handling one case where £47m from drug trafficking overseas had passed to, or through, the UK.

He said that traffickers were particularly concerned to invest their money in a politically and financially stable community. While he could only guess at the amount of drug money in the financial system he said that if only half the estimated £1.8bn found its way into financial institutions it was "an awful lot of money"

He said: "It is a natural consequence of having that sort of environment within our business world that people are going to deposit money there."

Between January 1987 and May this year, police and customs investigators had obtained confiscation orders for only £11m of drug money, the committee said.

The report said urgent reforms were needed to increase the effectiveness of the 1986 Drug Trafficking Offences Act introduced to combat international drug trafficking through the seizure and confiscation of the proceeds of drug trafficking.

The committee has urged the Bank of England to examine the scale and threat to the financial community posed by money laundering. It said it was concerned that neither the bank of England nor Committee of London and Scottish Bankers had been able to propose improvements in the law against money laundering.

The report ruled out the mandatory reporting of transactions above a certain value as a measure against money laundering.

The MPs also want confiscated drug money to be diverted from the Treasury into a central Home Office fund for use by police and other law enforcement agencies.

Once alleged drug money is traced, police and customs officers can apply for a court order to freeze the cash which may ba seized on conviction.

In practice the legislation was proving more difficult than expected, resulting in significant shortfalls between the value of confiscation orders and the amount seized, the committee said.

The report called for a new provision within the act for seizing interest accrued by drug money during the period between a court order being made and confiscation.

The report describes money laundering - disguising the origin of the proceeds from crime - as one of the most sophisticated criminal activities.

The Government should instruct the Bank of England to examine the scale of the threat to the banking community and any legislative or other changes required to counter it, the report said.

High street banks had so far alerted the police on about 1,000 occasions of suspicious deposits.

Directors back full EMS membership

By Patrick Harverson, Economics Staff

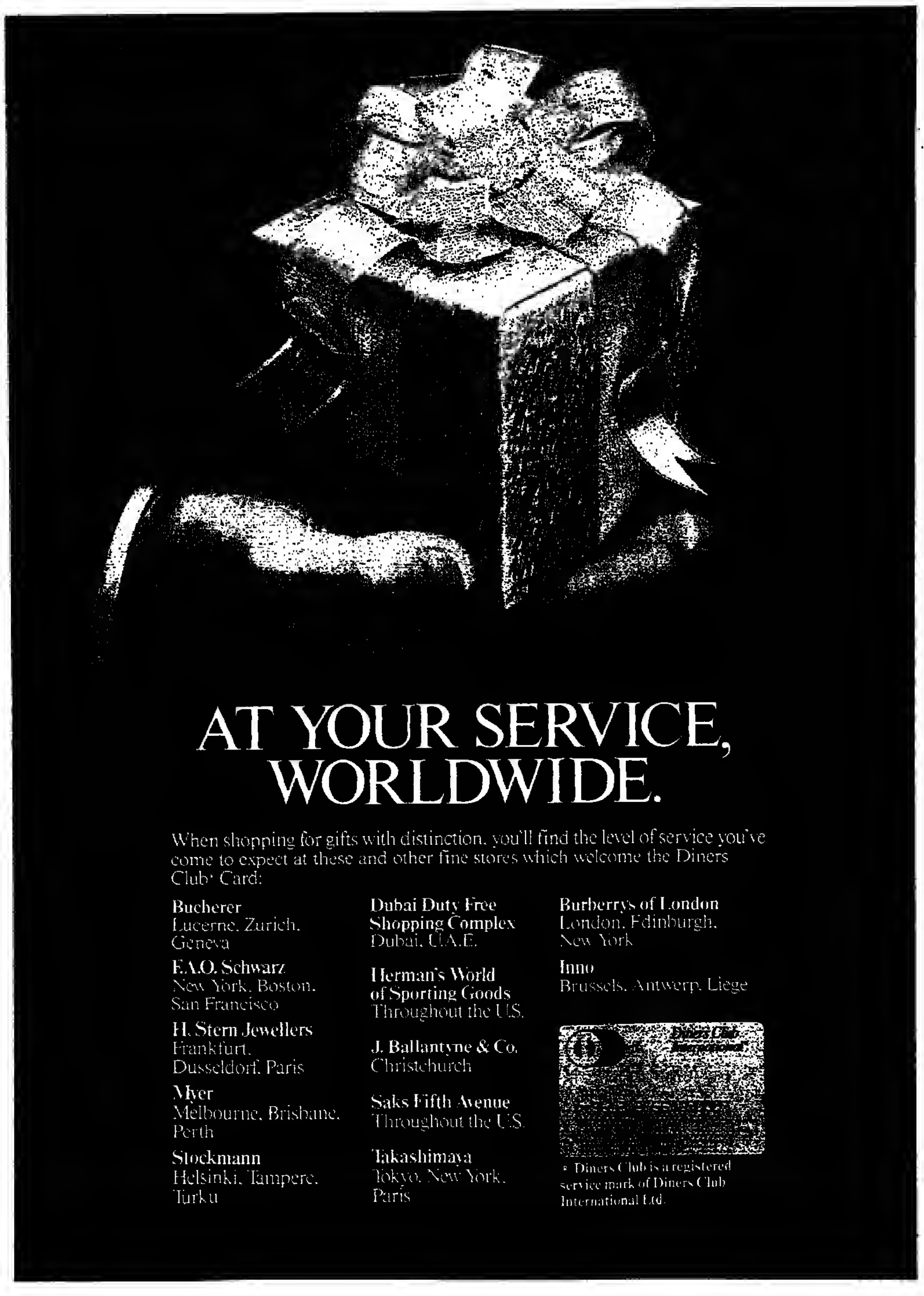
COMPANY DIRECTORS in the UK overwhelmingly support Britain's full membership of the European Monetary System, a survey concluded yesterday.

The survey, commissioned by Ernst & Young, management consultants, found that 88 per cent of the 92 top UK company directors sampled believed sterling should join the exchange rate mechanism of the EMS.

However, nearly half felt Britain should wait until inflation was substantially lower before participating fully in the system. A quarter said Britain should join now. The predominant view was that the exchange rate should be low when sterling entered the ERM.

Two thirds of directors believed membership would result in a more stable exchange rate, a stronger pound and increased trade with other European Community members. A third said a more stable pound would make forward planning easier and half felt it would reduce the costs arising from tha need to use hedging instruments. A few said membership would underline the country's commitment to the EC.

● The creation of a single European market from 1992 should not lead to the abolition of all UK border controls, the European Communities select committee of the House of Lords concludes - advocating that they should remain for illegal weapons and drugs.



In Brief

M&S first food store planned for Docklands

Marks and Spencer is to open a food store in London's Docklands. It will be the group's first food store in the area, and will serve those who will work in the £4bn 71-acre Canary Wharf development.

Air weapons ordered

Short Brothers, Belfast aircraft and missiles manufacturer, announced orders worth £40m for its Javelin air weapon system.

USAF contract won

A small British computer software house, Precision Software, is set to share in a $1bn contract to supply the US Air Force with a new generation of desktop computer systems.

NHS card scheme

Raising funds for National Health Service Hospitals is to be made easier by a visa credit card launched by Girobank - the first time that a credit card has been linked to a health authority.

Employers budget lobby

Three of the UK's leading employer organisations are planning to make a joint submission to the government about next year's budget.

Toyota power deal

The first electricity contract awarded under UK electricity privatisation plan is a ten year deal worth about £50m to supply the £700m Toyota motor plant planned at Derby.

Chatlines resume

Britain's controversial chatline services, which allow groups of people to gossip over the phone, are to be allowed to resume from today following a decision by the Office of Telecommunications.

Lloyd's review

Lloyd's of London, the insurance market, is reviewing the controversial sale of Ajax Insurance Holdings by the directors of the John Poland managing agency.

Fall in leasing business

The volume of leasing business in the third quarter of this year fell by 2 per cent compared to the second quarter, apparently confirming the weakening trend in business lending.

Bombers statement

An inquiry into the West Midlands Serious Crime Squad could include matters concerning tha Birmingham Six bombers - Mr John Patten, a Home Office Minister of State, said.

Cost of road, bridge failures 'at £400m'

By Andrew Taylor, Construction Correspondent

THE premature failure of British roads and bridges due to inadequate supervision by the Department of Transport and poor workmanship by consulting engineers and contractors has cost at least £400m during the past 10-15 years according to a report presented to MPs yesterday.

The report by the Comptroller and Anditor General, Mr John Bourn, head of the National Audit Office, calls for improvements in the way in which the transport departments of England, Scotland and Wales manages road investment programmes which cost more than £1bn in 1988-89.

The office examined 216 cases, most of them since 1980 involving roads and bridges which had to be repaired earlier than expected. The repair bill alone would come to £262m. The total economic cost could rise to £400m if the cost of delays are taken into account said the report.

It said poor workmanship and inadequate supervision were among the main causes of premature maintenance. Problems over design accounted for £139m worth of repairs studied in the report. The issuing of specifications by transport departments accounted for £38m and poor supervision for £24m. Poor workmanship by contractors and consulting engineers accounted for £48m.

The NAO report said inadequate surveys which "can lead to the use of unsuitable material or poor drainage causing embankment failures" were among the main causes of premature failure of roads and bridges.

It said the transport department had blamed poor workmanship by contractors for problems with joints and seals on concrete roads but "the persistence of these problems must also raise questions about the adequacy of supervision and departmental supervision."

It said compensation obtained from contractors and consulting engineers was small compared with the cost of repairs. It criticised transport departments for not taking stronger sanctions against companies engineers which had performed badly.

Departments had powers to suspend consulting engineers and contractors from competing for contracts, invite them to tender for only lower value contracts or issue a formal warning but there was little evidence of these sanctions being used.

England 1, Spain 0 after Moynihan's diplomatic drive

By John Wyles in Rome

ENGLAND's decision earlier this week to deploy Mr Colin Moynihan, his Minister for Sport, as a striker hitherto untested on a foreign field paid off yesterday when the national soccer team was duly consigned to the Italian island of Sardinia to play its initial matches in next year's World Cup tournament.

Mr Moynihan's determined runs down the middle during his visit to Rome at the beginning of the week eventually broke down the defence of the executive committee of the international soccer federation, Fifa, which yesterday acknowledged the wisdom of his argument that the English team's travelling army of hooligans could be better identified on the ferries to Cagliari and more efficiently contained inside the walled defences of the Sardinian capital.

English soccer officials in Rome maintained, of course, that that their team had been chosen as one of the six seeds on pure grounds of merit.

The Spaniards begged to differ after they had been left out of the seeds, suggesting that it would be better for all if the English and their fans stayed at home next June.

Seeding brings the special advantage of playing the opening group (in sets of four teams) games in the same stadium and thus avoiding any disruptive travel.

The other teams in England's group, who will be nominated during the globally televised draw for the contest tomorrow, will have to play in both Cagliari and Palermo.

The Spaniards were not the only nation soured by yesterday's Fifa decisions. West Germany apparently kicked up a two-hour fuss about being allocated to Milan when (so the cognoscenti say) the nation's travel trade had block booked everything around Lake Garda in anticipation of playing in Verona.

Brazil, whose many footballing talents had been expected to be on show in Milan, are being sent to Turin, with which city the president of the Italian organising committee, Mr Luca De Montezemolo, has close connections.

Italy, of course will be playing in Rome, Belgium in Verona and Argentina in Naples. The good citizens of Cagliari, not for the first time in their long history, will be taking to the hills.

Car production rises 11.6%

By Kevin Done, Motor Industry Correspondent

UK CAR production in the first nine months of the year was 11.6 per cent higher than a year ago at 987,977, due to a strong increase in output for export markets led by Nissan of Japan and Peugeot of France.

Commercial vehicle production rose by 11.2 per cent to 245,908.

Output from Nissan's Sunderland car assembly plant increased by 60 per cent in the first nine months to 60,653.

Nissan, which began production in the UK in 1986, started exporting cars to continental European markets a year ago. It is gradually increasing production capacity to a planned 200,000 cars a year in 1992-93.

Peugeot raised output by 28 per cent to 75,833 after moving to double-shift working in spring last year.

Ford's car production from its Halewood and Dagenham assembly plants was 11.7 per cent higher than a year ago at 291,055, but output in the first half of last year was depressed by a two-week strike, which closed all its UK plants.

Car output at Vauxhall's Lnton and Ellesmere Port plants jumped by 21.5 per cent to 159,284 in the first nine months, thanks to strongly rising production of the new generation Cavalier in Luton.

The rate of growth in overall car production slowed in the third quarter with a rise of only 5.3 per cent as output for the domestic market virtually stagnated.

Ford's output in the third quarter was 8.7 per cent lower than a year ago, due in part to commissioning problems with a new final assembly line at Halewood.

In recent weeks car output at both Ford and Vauxhall plants has been hit by a series of unofficial one-day strikes as industrial conflict grows in the present wage round.

The 11.2 per cent rise in commercial vehicles output is due almost solely to higher van production with both IBC Vehicles, the General Motors/Isuzu joint venture (formerly the Bedford panel van operation) and Leyland-DAF sharply increasing sales in European export markets.

On the other hand, truck production is falling at several UK plants as order books for the domestic market shrink.

Output at Iveco Ford's Langley plant was 5.5 per cent lower in the first nine months than a year ago, while output by Renault Truck Industries dropped by 28 per cent and production by AWD (the former Bedford truck operations) fell by 14 per cent. Seddon Atkinson production was 7 per cent lower than a year ago.

Truck output at Leyland DAF's Leyland plant was virtually unchanged at 11,[illegible] digital

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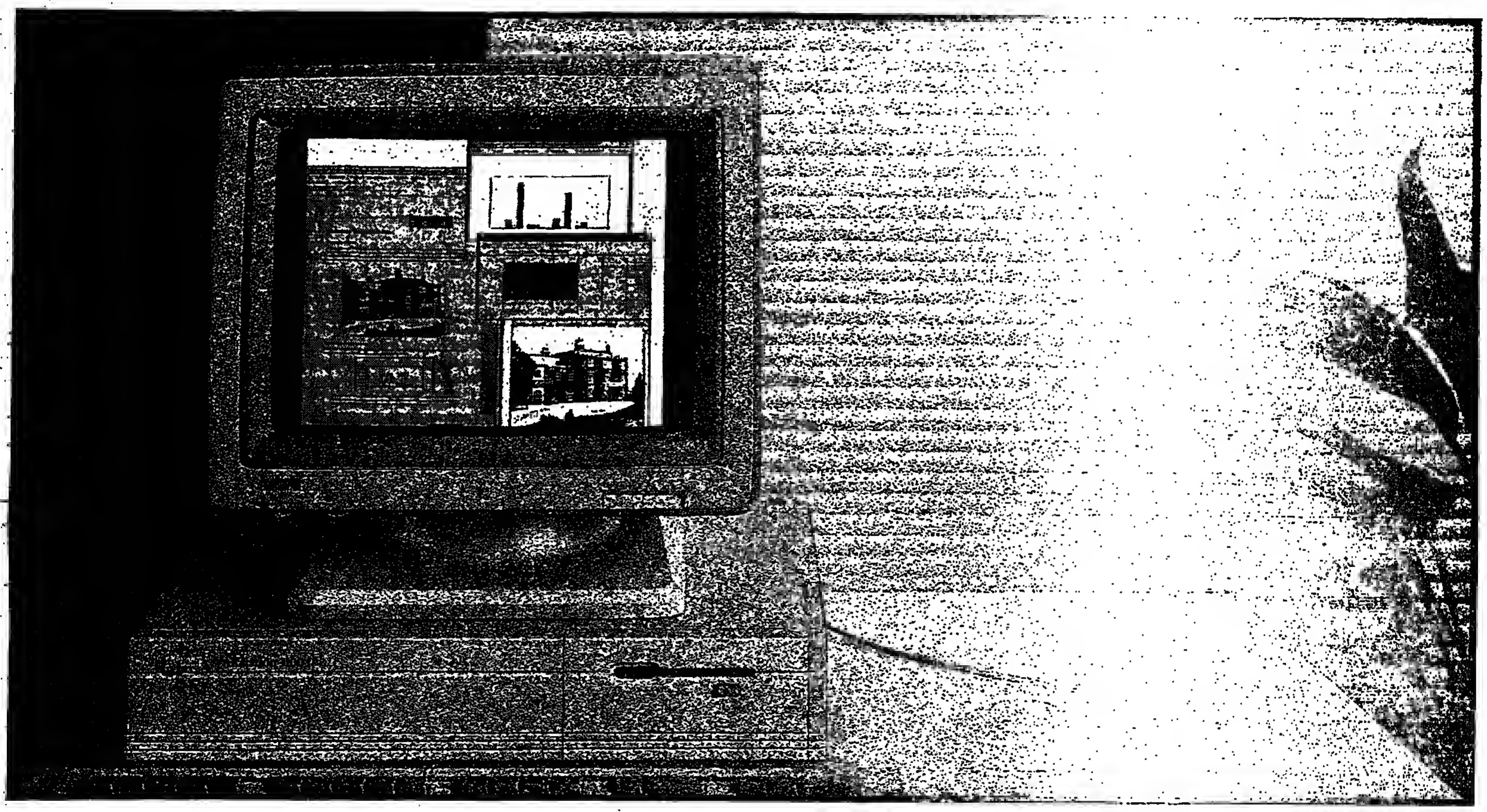

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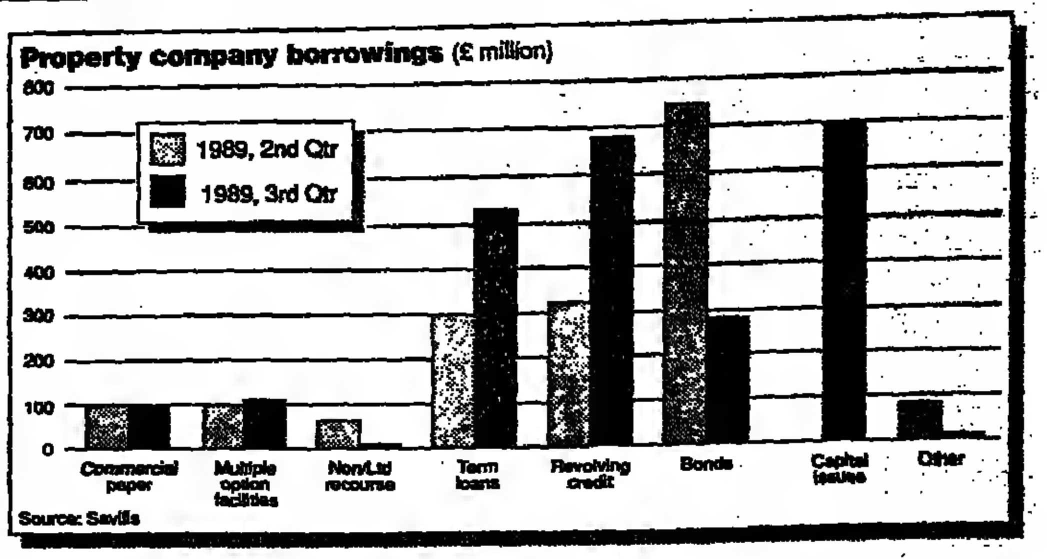
Banks confident, but lending rise to slow

By Paul Cheeseright, Property Correspondent



Bankers are surprisingly confident about the property market. Much more so, in fact, than might be suggested from the freely expressed concerns that some might take fright at the downturn in returns, pull out a plug, and precipitate a financial crisis in the sector.

The Bank of England's calls for prudence in the sector, expressed by Mr Robin Leigh-Pemberton, the Governor, have as their background the fear that a foreign bank, having lurched into a market it does not understand, might lose its nerve.

That may happen, of course, but a survey of bankers carried out by Woolgate Property Finance showed that only three per cent of respondents expected their commitments to decrease while 60 per cent of them expected their commitments to grow.

The Woolgate survey excluded the clearing banks but covers about two thirds of the lending market so it is as clear an expression of bankers's intentions as one is likely to obtain.

But the growth in lending will not be as fast as it has been. When Woolgate last did a survey in November 1987 it found that 83 per cent of the banks were planning to increase their commitments.

This is consistent with the way the official figures for bank lending have started to move. At the end of August, nearly £30bn was outstanding in the sector and this total figure showed a rise of £2.7bn over the previous three months.

However, noted Savills, chartered surveyors, in their latest property investment bulletin, "this is a rise of only 10 per cent, the smallest increase in percentage terme since May 1988. Moreover, bank lending to property is still running at less than eight per cent of total bank lending compared with 12 per cent in 1974 at the time of the property crash."

The expressions of confidence implicit in the Woolgate figures and the favourable comparison of the present situation with 1974 do not necessarily mean that the banks will be generous in their attitude to borrowers. "We expect to see banks pressurising over-extended property companies to reorganise their affairs, mainly in concert with stronger partners," said Healey & Baker, chartered surveyors.

Banks anyway are scrutinising much more carefully the flood of loan applications. They are raising their margins and their fees for setting up loans. And, observed Woolgate, "more than half the banks would not consider loan proposals for residential development and City of London office development." In other words, the banks are shy of precisely the market sectors which are most obviously the immediate source of worry.

One of the features of the market since the mid-1980s has been the spread of limited or non-recourse borrowing where the security of the banks is in the project itself; the borrowing company has very limited or no liability at all.

But, predicted Mr Philip Middleton of Bankers Trust, this could be changing. He was speaking this week at a conference on development loan monitoring organised by Bankers Trust and Project Management International.

Talking of the possibility of shifts in the type of lending because of a softening of the market, he said, "It will be considerably more difficult to lend on a project basis alone. We will want more guarantees from the developer. We'll be looking more closely at the developer's balance sheet, his gearing."

Two points about this should be noted. First, his remarks have to be seen against the background of the Woolgate survey which showed that North American banks have a greater commitment to limited or non-recourse loans than the average of all banks, so it is a straw in the wind.

The second is that while the banks may be prepared to increase their exposure to the property sector as a whole, they appear to be increasingly chary of development loans, preferring the easier course of investment loans, for existing buildings, where it is immediately apparent if there is enough rental income to cover interest charges.

"Commitments to lower risk investment loans now represent 58 per cent of their portfolio compared with 50 per cent two years ago. Banks expect this to increase to 63 per cent on new loans," said Woolgate.

To some extent, of course, this a reflection of the way the property market is moving. The spurt of development in central London, although not in the regions, appears to be weakening, but the investment market remains strong. And it is the London area which absorbs most of the money.

Despite the uneasiness which has crept over the market since returns peaked at the beginning of this year, banks are continuing to exploit and devise new products. Smaller operators, for example, are looking at new ways of providing topping-op loans – mezzanine finance – on the assumption that, the more careful the large operators become, the greater their opportunities to provide funds around the margin of a project.

At the same time the banks are seeking to protect their own position through the greater use of commercial mortgage indemnity, insurance against non-payment of loans. More than half of them had used it and three-quarters of the remainder said they would consider using it, Woolgate reported.

There is also a growing readiness among the banks to seek a share of the profits their loans might generate; they are not satisfied simply with interest payments. Over half the banks expected to take a profit share in projects they might finance over the next year and a further 36 per cent thought they might.

This represents a change in traditional banking practice. But it is not as striking as the change which appears to be presaged in the duration of bank loans. "Very much in line with their commitment to investment finance, the banks estimated that 42 per cent of their existing portfolio would be refinanced rather than repaid through property sales," Woolgate reported.

The banks, then, appear to be shifting from their usual position of short and medium term lending, to become more long term lenders. If this is the case, it offers the possibility that one worry, current in the property sector, may gradually be removed. This is the very basic question of who can pay back the banks.

The question has become the more acute as the domestic institutions have retreated from the market. As Savills remarked, "after a fairly strong year of institutional investment in 1988, it looks as though 1989 investment levels will barely reach £1bn." There are better immediate returns from cash than property.

Where the banks are expecting property sales to pay them back they anticipate, according to the Woolgate survey, that the UK institutions will take 38 per cent and foreign investors 20 per cent. Given the recent tactics of the UK institutions and the fact that, with few exceptions they were unable or unwilling to respond to the surge in values from the mid-1980s, this expectation looks remarkably sanguine.

The foreign investors are difficult to read. One might expect steady but highly selective Japanese buying. But Japanese institutional buyers have tended to concentrate on a few central buildings. Scandinavian investors, who have been more varied in their choice and less selective geographically, could stop their investment as quickly as they started it. Who next, then, for that 20 per cent? The Americans?

Perhaps the banks' readiness to refinance their loans is a simple acknowledgement that, short of foreclosures, they might have little alternative.

CAPITAL GROWTH (%)

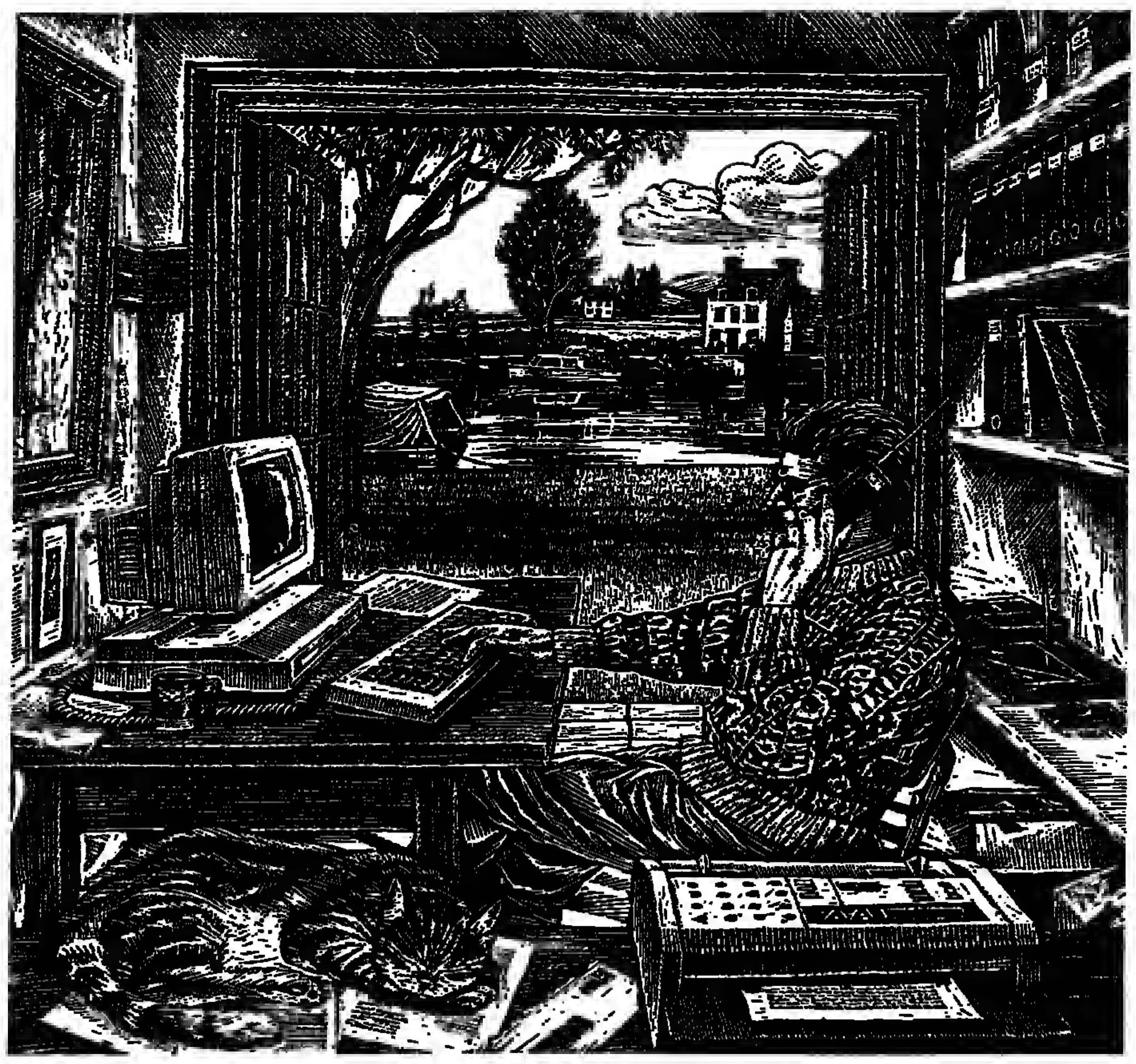
	Retail	Office	Industrial	All Property
Year to October 89	7.7	19.7	24.7	15.1
Quarter to October 89	1.0	2.8	5.4	2.5
Month of October 89	nil	0.6	0.9	0.5

Source: Investment Property Databank

FINANCIAL TIMES

SURVEY

Technological progress is leading to a kind of industrial revolution in reverse, as the move back to the country from the cities gathers pace. Bridget Bloom analyses the benefits, such as new jobs, and the drawbacks posed by the rapid spread of "development".



The Rural Revolution

A golden hue for green belt

WE MAY have to wait for history to tell us whether rural England is undergoing as profound a change as it did in the agrarian revolution of the 18th Century and the industrial revolution which followed that. But it may come as a surprise to many people that the 1980s can even be described in these terms.

Listen to the academics: "Industrial revolution in reverse?" asked Professor Peter Hall, of Reading University, a couple of years ago, as he spoke of "a profound decentralisation of the population on a very large spatial scale."

Prof Hall traced not only the well-known decline in the population of Britain's inner cities but also the less familiar concept of what he termed the Golden Belt and the Golden Horn – dynamic areas of new growth stretching out along motorways and clustering around once-remote rural towns to provide new jobs and houses and pressures on services undreamed of only a few years ago.

Or Professor Howard Newby, late of Essex University and now heading the Economic and Social Research Council, who declared that "for the first time since the industrial revolution, technological change is allowing rural areas to compete on an equal basis with towns and cities for employment."

The most obvious sign in the countryside itself of the new *rural revolution is, without* doubt, the spread of "development" – a proliferation of new houses, housing estates, new roads and motorways, superstores and business parks which you will see, for example, on a drive northwards from London into East Anglia – through Suffolk, Norfolk and Cambridgeshire, past provincial centres such as Ipswich, Norwich and Cambridge and around a score or two of once sleepy market towns such as Woodbridge, Diss, Wymondham or King's Lynn.

The same phenomenon can be observed westwards from London, beyond the Home Counties. Prof Hall defines the Golden Belt as embracing Devon, Dorset, Somerset, Oxfordshire and Northamptonshire as well as Cambridgeshire, Norfolk and Suffolk. The Golden Horn, he argues, stretches from the Isle of Wight to Lincolnshira and takes in Hampshire and East and West Sussex too.

The "revolution" which all this seems to portend has been brought about hy many factors, though with two critical elements.

One is the astonishing growth of the new information technology which, with its computer, portable telephone and fax machine, has made it possible for many more people to live and work in the countryside.

The other is the decline of agriculture. No longer the mainstay of the rural economy, agriculture is releasing both land and people for new uses and employment.

Along with these key factors have come improving road and rail communications, including the much-maligned M25, and greater wealth in much of the rest of the economy, underpinned by the enterprise culture fostered by the Thatcher government. These factors together have helped to swell the numbers of people leaving the conurbations for employment, for retirement and for general "quality of life" reasons.

Articles elsewhere in this survey analyse the demographic movements in population (in so far as this is possible, for there has been no national census since 1981) as well as the impact of the changes on agricultnre, employment, housing and property, communications and the environment.

The benefits of the revolution are considerable – as are the problems. One of the important achievements has been the creation of new jobs in rural areas at a time when, because of the continuing loss of jobs in agriculture, they have been most needed.

It is difficult to be sure precisely how many new jobs have been created countrywide, hnt the government-financed Rural Development Commission (RDC), whose function is to promote economic development in many of the more remote rural areas, is well placed to observe the trends.

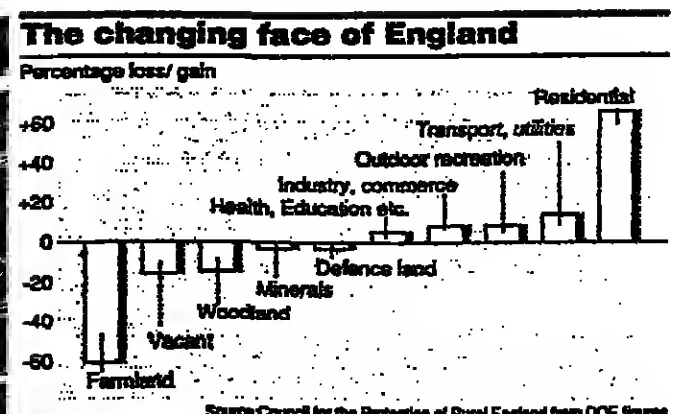
In its 27 special rural development areas (RDAs), designated only in 1984 as areas of special need, it has charted population growth of up to 4 per cent in all but three and a dramatic drop in unemployment in virtually all. To some extent, of course, these country areas have benefited from the nationwide improvement in employment.

But in the three years to last January, for example, unemployment went from 8.9 per cent to 4.4 per cent in Norfolk, and from around 7 per cent to 3.8 per cent in Suffolk, Devon and Dorset.

Even in Cleveland, an atypical area of steep industrial as well as rural decline, the fall has been from nearly 17 per cent to 11.5 per cent.

There is a downside to these developments, as the RDC notes. Within the RDAs, services are subject to great pressure.

The changing face of England



Source: Council for the Protection of Rural England from DOE figures

Village schools are still closing, and for the 15 per cent of rural families without use of a car, access to medical facilities, shopping and other services is difficult. Pockets of real poverty persist.

There are also areas, such as mid-Wales or parts of Cornwall, which are quite untouched by "development" and where de-population, though nothing like as serious as in much of rural France, is prevented only by substantial direct and indirect government aid, mainly to farmers.

Above all, rurally concerned bodies such as the RDC draw attention to the inability of local people to afford to buy houses as prices rise with the competition from "incomers."

But important though it will be to make sure that the gap between rich and poorer rural areas is narrowed, the greatest challenge of the rural revolution is probably that posed by the extent and pace of development which, if it continues unabated and with as little control as in the recent past, threatens to overwhelm the countryside itself.

The debate currently centres on the extent to which the revolution should be managed, particularly through changes to the planning system. Over the last year or two, pressure groups and august quangos alike – from the Council for the Protection of Rural England and the Countryside Commission to the Town and Country Planning Association and the Housebuilders Federatiou – have all entered the fray.

The most consistent call has come for effective strategic planning. Much of the development which has been at the heart of the rural revolution has occurred under government policies which have gradually weakened the planning system in favour of the freer operation of market forces.

Before Mr Nicholas Ridley left the Department of the Environment last July, he had issned a white paper which proposed to put planning decisions primarily in the hands of district authorities, taking the weakening process a stage further by abolishing mandatory planning at county level.

He had also proposed to allow farmers to engage in a wide range of non-farming businesses without the need for planning permission.

These proposals were widely criticised, not least by Conservative backbench MPs. Mr Chris Patten, Mr Ridley's successor, now seems to be abandoning them. However, precisely what he will put in their place remains to be seen.

Much publicity was afforded his announcement that he was inclined to refuse permission for a new 6,000-house settlement in Hampshire.

Less attention has been paid to how he proposes to reconcile his apparent decision to tighten the rules on house building, without lowering the target number of houses to be built.

The government's critics and friends alike argue that strategic planning alone can provide the breadth of vision which can encompass this issue as well as many others, which range from the impact of mammoth new infrastructure projects such as the Channel tunnel or a new three-year £12bn road programme, to the preservation of the peace and quiet of the countryside which has been one of the root causes of recent migration into it.

As the Town and Country Planning Association's journal put it recently: "The challenge is to steer a course between the various visions of horror of the countryside as sterile food factory, noisy fun palace, concrete jungle, the preserve of the affluent or decaying museum piece, and find ways of widening the options for people to live and work in a healthy, sustainable and beautiful countryside."

On other pages: *Demographics*, Agriculture, Technology, Page 2; Leisure, Property market, Page 3

DEMOGRAPHICS

A revolution by evolution

IF IT is possible for a revolution to take place by evolution, that is what is happening to Britain's population structure.

The number of people of pensionable age will rise by about a third in the next 40 years, while there will be a far more marked increase in the very old.

There are about 800,000 people aged 85 and over in the population. This is projected to rise to about 1.1m before the end of the century and then continue increasing. It will reach 1.4m by 2027 – an increase of 78 per cent on the present position – and go on rising to the middle of the next century.

By contrast, the number of young adults in the population will have declined by more than 20 per cent by the turn of the century.

These radical changes in the shape of the population will have profound implications for amployment, health, education, leisure and social services, as well as many commercial markets.

However, they are not the only population changes in progress. The shift towards an older population is being accompanied by another trend – one of physical movement from centres of urban population to more rural ones.

Two urban conurbations – Marseyside and Cleveland – have experienced England's greatest population loss in the 1980s. The greatest growth has been in Cambridgeshire, the Isle of Wight, Buckinghamshire and Dorset, all of which have had population increases of about 10 per cent.

All the Welsh counties except West Glamorgan and Mid-Glamorgan have been among those gaining in population during the decade, ranging up to a 4½ per cent rise in Dyfed.

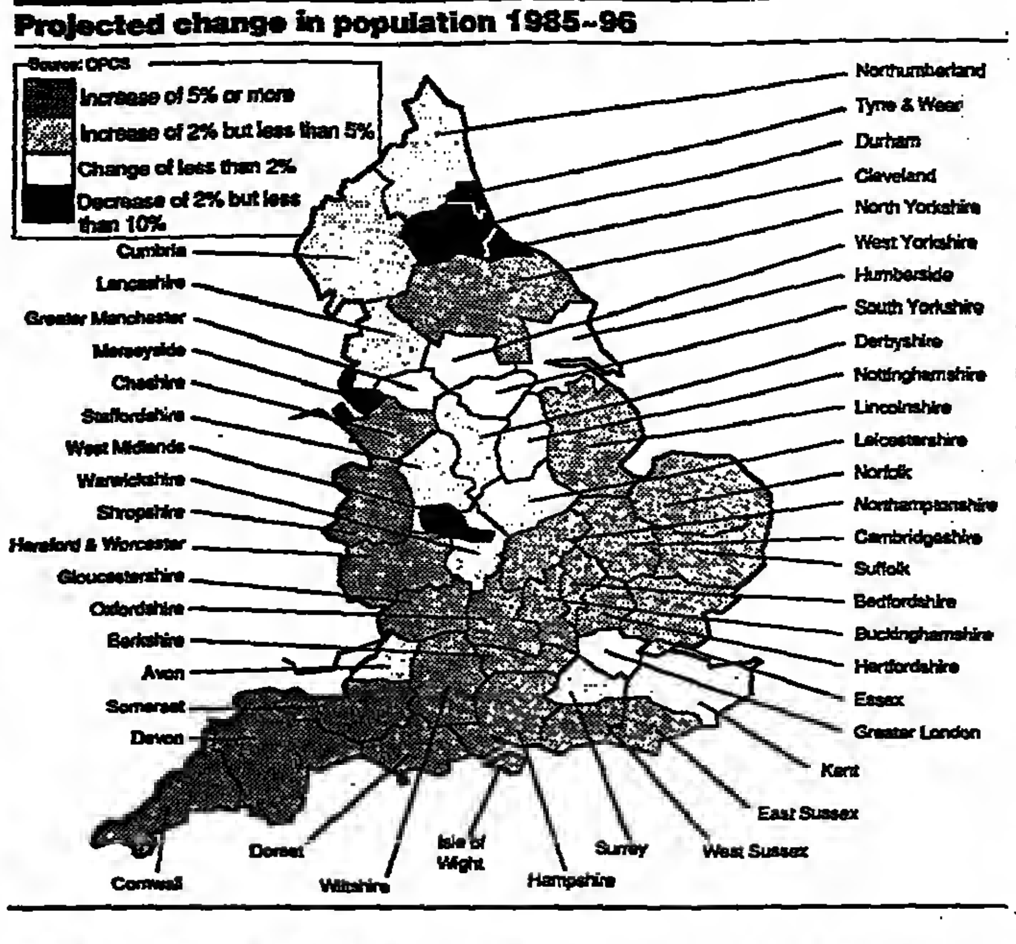
Office of Population Censuses and Surveys projections indicate that East Anglia will be the fastest growing region during the rest of the century, with its population likely to rise by 15 per cent to 2.28m between 1985 and 2001. Next will come the south-west, with an 11 per cent increase to 4.99m

Only two regions are projected to lose population by the end of the century – the north by 3 per cent and tha north-west by 1 per cent. Within the regions, however, the tendency for people to move from urban to more rural areas which has been evident in the 1980s is projected to continue.

Cornwall, Somerset, Wiltshire, Shropshire, Lincolnshire, Cambridgeshire, Northamptonshire and Buckinghamshire are all likely to experience population growth of 15 per cent or more by the end of the century.

The Rural Development Commission, a government quango, has since 1984 concentrated its activities in 27 rural development areas, located in parts of 28 counties. Analysis by the commission of the population data shows that there has been population growth in 24 of the 27 areas – the exceptions being Cleveland, which has suffered serious industrial decline, and the remote upland villages of Staffordshire and Lancashire. Taken as a whole, the 27 rural development areas have been increasing in population at four times the overall rate for England.

Projected change in population 1985-96



Some of the most rapid population growth has been in those rural areas which are popular retirement spots with the Cornwall rural development area, for example, growing at six times the English average. This type of movement has great significance for the planning and financing of future social provision in rural areas, particularly in view of the overall ageing of the population. People make far heavier and more expensive demands on the health and community care services as they grow older.

A high proportion of elderly people in the local population is one of the factors which the commission took into account when selecting the 27 areas on which to concentrate its efforts. The others were above average unemployment and limited job opportunities, declining population, a net outflow of people of working age and poor access to services.

The list is a reminder that the lush fields and country lanes of rural Britain sometimes conceal social problems of a very similar nature to those of the inner cities, where poverty is more immediately visible. A study two years ago by the Anglican diocese of Hereford – the most rural in the Church of England – which drew on an unpublished Department of the Environment investigation of five rural areas concluded that 25 per cent of all households in the sample areas were living in or on the margins of poverty.

Housing is one of the leading social priorities in most rural areas. Rising prices over a number of years have put house purchase out of reach of an increasing number of people living in the countryside – particularly in areas where the search for second and retirement homes has pushed up values – while the right of council tenants to buy their homes has reduced the availability of rented property. The Rural Development Commission says that in some counties, such as Somerset, such sales hava been highest in rural areas.

Alan Pike

Technology will let villagers work from home

New cottage industry

BEAUTIFUL countryside and modern telecommunications could be an irresistible combination in generating new industry in rural Britain. That, at least, is the theory behind much of the current interest in telecommuting, telemarketing and telecottages.

Britain's towns and cities grew to their current size as a result of the industrial revolution, which was driven by the concentration of economic activity in large factories. People initially built their homes around those factories.

As mass transport systems developed, people began to move out of the city centres to suburbs. But it has been difficult for most to move out because of the time it takes to commute in to work.

The availability of advanced telecommunications, cheap personal compnters and facsimile machines makes distance less relevant.

It is therefore a realistic prospect for many people to work from home and, as a consequence, to move their homes further away from the city centres to more desirable locations.

The Henley Centre for Forecasting believes there will be 4m Britons working from home in 1995. The highest proportion will be those with professional and managerial jobs, whose work is mainly analytical and self-contained.

FI Group, the information system company most of whose employees work from bome, said advances in telecommunications had allowed its staff to work in areas as diverse as Cornwall, Aberdeen, Wales and Kent. But Ms Hilary Calow, one of FI Group's marketing managers, said that although "there is an opportunity to revitalise rural communities, I wouldn't call it a rural revolution."

A special instance of teleworking is the telecottage, a concept pioneered in Scandinavia. This usually involves converting a barn or farmhouse into offices by installing computers and telecommunications facilities. Some of the first telecottages to be planned in Britain are the Eccles House Farm Workshops in the Peak District in Derbyshire. Co-ordinated by the Peak Park Trust with engineering help from British Telecom, this project should produce 14 high-tech offices. Five similar projects are planned next year in Islay, the Shetlands, tha Orkneys, Argyll and Inverness.

As aven more advanced systems are introduced, the advantages of using telecommunications rather than physical communications for business will become even more pronounced.

The arrival in Britain next April of Integrated Services Digital Network (ISDN), a system which can carry a combination of picture, voice and data traffic over an ordinary copper wire, is a case in point. This will, for the first time, make desk-top conferencing a real option for small and medium-sized businesses.

ISDN will also allow two conversations to operate simultaneously over the same wire – a feature which will probably appeal to self-employed people working from home. And, by the mid-1990s, moving picture phones are expected to be commercially attractive.

Meanwhile, computerised telemarketing systems make it practicable for small companies to sell their products and services to the whole UK market – and eventually the European market – without the need for a vast sales force. It is simply necessary to direct potential customers through advertising to a freephone number, which is answered by a computer.

Nevertheless, rural areas tend to be relatively deprived of advanced telecommunications facilities compared with the main towns.

Mercury Communications, BT's only rival for mainstream telecommunications services, has concentrated its network in the hig business centres, particularly the City of London, and neglected rural areas. Similarly, the two mobile phone operators, Vodafone and Cellnet, started their services in the urban areas and, even now, they do not cover some outlying regions. British Telecom has a responsibility under its licence to provide universal coverage of the basic phone service and also to maintain rural phone boxes. However, new services such as ISDN will be introduced later in the countryside than in the cities.

Rural areas are also often at a disadvantage in the cost of using both basic and advanced telecommunications services. Rural customers almost always have to pay the long-distance rate for any call they make, because their local charge areas have such small populations.

Two reports on the state of telecommunications in mid-Wales and in the Highlands and Islands of Scotland, which were carried out for the Office of Telecommunications in 1988, bear out these conclusions.

"Both domestic and business users are at a severe cost disadvantage vis-a-vis other areas, largely due to the small range of local call charges and lack of local call access to information systems," the mid-Wales study reported. This was in spite of the fact that the per capita investment in telecommunications in Wales was £498 compared with £353 for the UK as a whole.

Similarly, the Highlands and Islands study concluded: "Although there is widespread availability of the basic telephone service, the existing telecommunications infrastructure does not provide an adequate foundation on which to build future telecommunications facilities."

Since 1988, there have undoubtedly been improvements in the quality of telecommunications in these outlying regions. In particular, earlier this year BT announced a £16m package to modernise communications in the Highlands and Islands.

Nevertheless, there can be no guarantee that advanced telecommunications will actually lead to decentralisation of economic activity and power to rural areas.

Hugo Dixon

Bridget Bloom reports on profound changes affecting agriculture

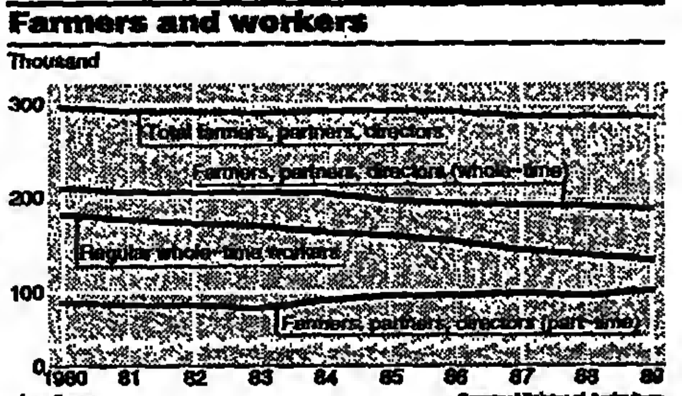
Residential farm prices rise

PRICES paid for residential farms in the south and west of England were nearly 40 per cent higher last year than they were in 1987, according to Savills, one of the country's leading land agents.

Similar farms within an hour or so of London fetched 55 per cent more. Yet in the same period, according to the Ministry of Agriculture, farming incomes across Britain fell by 25 per cent.

These statistics illustrate one of the most marked changes taking place in rural Britain and in agriculture. The apparent paradox of rising land prices and falling farm incomes is explained because newly-affluent people are competing to move to the country to improve their quality of life. Land values are also being maintained because, while some farmers are wanting to sell because their incomes from traditional farming are declining, there are many who are taking advantage of tax concessions to sell some acres and reinvest the proceeds into land elsewhere.

Farmers and workers



Source: Ministry of Agriculture

Agriculture

Source: Ministry of Agriculture

On a wider front, however, the issues which these statistics highlight are evidence that British agriculture – along with farming in much of the European Community – is in the throes of one of the most profound changes in its history.

On the one hand, the exodus from the land which has been a feature of much of this century has been recently gathering pace, exacerbated by the reforms of the common agricultural policy which, by the early 1980s, was producing unaffordable food mountains. In an effort to control production and so curb costs, farm-gate prices have been progressively cut and income has fallen. Britain's National Farmers Union said earlier this year their incomes were the lowest in real terms since the second world war.

On the other hand, the structure of farming itself is changing. Food production is being increasingly concentrated on farms which are steadily growing – already in Britain 60 per cent of production comes from just under 30,000 of the country's listed 250,000 farm holdings. As official farm support declines, and food production becomes more market oriented, this trend seems certain to continue.

Small farmers, many of whom are over 50 and without actual or willing successors, are finding it increasingly difficult to make a living from the land and if they stay, are reliant on direct official aid of one kind or another.

Between the big and small farmers are sandwiched family farmers, usually unable to support the two or three families of former years but able to continue because their borrowings are low, or because they are increasingly finding that they can produce for "niche" markets, such as organic food.

Of these non-farmers who are boosting land prices in much of rural Britain may fit into the first category: industrialists, or others who have benefited from the Thatcher revolution of the past decade, are buying efficiently-managed estates like their nineteenth century counterparts before them. But there are many more Britons buying a more modest stake in the countryside, whether they take over an old farm house and a few acres for grazing horses, or, more commonly, buy newly-built houses on formerly agricultural land.

As these changes have been taking place, what has happened to farmers? It is difficult to generalise, if only because soils, climate and managerial efficiency differ so markedly. Inevitably, the 25 per cent fall in incomes registered by official figures masks great variations.

In broad terms the arable sector has probably done worst over the past three or four years and dairying best. The dairy farmers' good fortune is due to the introduction of EC milk production quotas, which have given them a secure (and rising) income as well as a new tradable asset in the quotas themselves.

For arable farmers, the recent good harvest has made some amends for the run of poor ones since 1985 but margins remain slim. As for livestock producers, while pig farmers and to a lesser extent egg producers have recently come out of the doldrums and are enjoying high prices, lamb and beef producers are alarmed at the potential impact of EC reforms in those sectors.

But if, with the exception of those in dairying, farmers have been doing less well than in the heady days of high production and subsidies, the effect of this on farmers' total incomes is often less stark.

About half of Britain's farmers do not rely primarily on farming for their livelihood, while others are benefiting from the general upturn in the rural economy.

The common assumption about agriculture in Britain is that farmers operate large and efficient holdings. But, according to a pilot study, published in 1988, nearly half of the 250,000 holdings are less than 40 acres with an average net income from farming of only £450 a year. Farmers on these holdings - believed to account for no more than 5 per cent of farm production – have incomes on average of £9,000, the balance being made up from investments, pensions and other jobs. If this is hardly wealth – many of these farmers live in hill areas where farming is barely possible without aid – the figures also hide a considerable amount of "hobby" farming, particularly in the lowland areas.

According to last year's Annual Survey on Farm Incomes (PRODUCED BY WHOM?), Britain's full-time farmers also have alternative sources of income, although in the lower proportion of one third to two thirds (WHAT THIS MEAN?).

How many of Britain's farmers are benefiting from the rising demand for land? Unfortunately, although anecdotal evidence is plentiful, there are no reliable statistics. Many, if by no means the majority, do benefit from "development" land. Earlier this year, for example, Strutt and Parker, the land agent, noted that 750 acres of farm land in different parts of Berkshire had been approved for housing and calculated that, at £500,000 an acre, some £375m could have been put into farmers' pockets. Others benefit less markedly but there are plenty of tales of farmers selling barns, or land zoned for housing, to considerable profit.

Britain's farmers are without doubt under pressure in ways that were not foreseen less than a decade ago, with an adverse impact on incomes. One of these involves environmental campaigns to curb the use of nitrate fertilisers and animal manures in the interests of purer drinking water. Yet the pressures are by no means all one way: many farmers are benefiting from the rural revolution, too.

John Hunt examines controls on development

Call for concrete curb

THE POST-WAR years have seen a huge erosion of the British countryside as motorways have opened previously remote areas and housing developments have sprung up all over the country.

An area the size of Berkshire, Buckinghamshire, Oxfordshire and Bedfordshire has disappeared under concrete in the past 40 years. Some 109,000 miles of hedgerow was destroyed in England and Wales between 1947 and 1985. By 2025, more than half of the sites of special scientific interest are expected to have suffered long-term damage if trends continue.

The destruction of habitats has been matched by the disappearance of wildlife. At least 41 species of bird, including the barn owl, stone curlew and tree pipit, have declined in the past 35 years. Of 55 butterfly species, 24 have severely declined since 1960.

Conservationists are hoping that Mr Chris Patten, Environment Secretary, will take stronger measures to protect the countryside than Mr Nicholas Ridley, his predecessor, who came under vigorous attack – often from Conservative MPs and party supporters – for the over-development of south-east England.

Mr Patten had brave words about the future of the countryside when he addressed the Conservative conference this year. He accepted that an important test for the Government would be how it preserved "our priceless countryside," and he promised to strike a sensible balance between the needs of farming, conservation and the rural economy.

Environmentalists have been encouraged by Mr Patten's decision to reject the application from Consortium Developments to build a large country town at Foxley Wood, Hampshire. They also welcomed his announcement that the Government is abandoning its proposal to relax planning controls on farmers who wish to diversify.

They see little sign, however, that the Government has a coherent strategy for protecting villages from being smothered by "fill-in" building development or for preventing beauty spots from being ruined by the introduction of inappropriate leisure facilities and tourist attractions.

Mr Tony Burton, planning officer for the Council for the Protection of Rural England (CPRE), says: "The 1980s have been a lost decade for planning in rural areas. You need controls and safeguards. By steering development you will get a better deal not a worse one."

Organisations such as CPRE believe that for sane planning in the countryside it is necessary to retain county structure plans which lay down the strategy within which the district councils have to operate. However, the Government has proposed in a white paper that the structure plans should be abolished and that the main onus for planning should fall on district councils. The critics see this as a recipe for chaos and piecemeal development.

The proposals were to be incorporated in a planning bill to be put through parliament in the present session. But once again the long-promised legislation has not materialised and Mr Patten appears to be having a rethink.

There is unease and uncertainty about the Government's plans for conservation

This has given some respite to worried conservation organisations but at the same time, until the Government makes known its intentions, there is confusion about the direction future planning policy will take.

There is also considerable unease and uncertainty about the Government's plans for conservation. A battle is continuing over the future of the Nature Conservancy Council which looks after nature reserves and nominates sites of special scientific interest.

Mr Patten has ditched the plans drawn up by Mr Ridley to sell some of the nature reserves but he is pressing on with the controversial proposals for the restructuring of the council. It would be split into three bodies for England, Scotland and Wales – a move which its supporters say would emasculate it.

Some see it as a ploy to weaken the organisation because it has become too powerful a voice on behalf of conservation.

The Government's hostile attitude towards the European Community's proposals to protect natural habitats has also angered environmentalists. The EC's fourth action programme on the environment, which runs from 1987 to 1992, commits member countries to protect and enhance the natural heritage and envisages community legislation to protect wildlife and habitats.

The EC Commission has produced a draft habitats directive to put these commitments into effect but the British Government's response was hostile.

Another cause for concern is the effect that water privatisation will have on the countryside beauty spots. The 10 big water companies – formerly the water authorities – own about 500,000 acres of countryside, much of it in national parks and sites of special scientific interest. The water legislation gives the Environment Secretary power to protect such areas.

It is the 200,000 acres of unprotected water company land that conservationists fear might be sold by the water companies for intrusive leisure or tourist developments in areas of great natural beauty.

Dame Jennifer Jenkins, chairman of the National Trust, has called for the establishment of a coalition of conservation groups to raise funds to buy the hundreds of acres of this land which could be put on the market.

The CPRE would like to see a restoration of the Conservative 1987 manifesto promise to introduce landscape conservation orders to prevent damaging agricultural operations in the national parks.

It urges a tightening of the planning system that allows certain farm buildings and roads to be built without planning permission on farms.

Another CPRE proposal is for a fully resourced EC Countryside Protection Agency to oversee the implementation of habitat protection by member states.

The Town and Country Planning Association suggests countryside resource audits to evaluate and map important wildlife and landscape features. Countryside strategy centres would be established by the county councils in England and Wales and the regional councils in Scotland. They would have a duty to draw up a countryside strategy with the help of environmental organisations.

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Countryside leisure emerges as a field of conflict in planning

Fun centres under scrutiny

THERE IS little doubt that the dominant question in rural affairs in the 1990s will be "What is the countryside for?"

For the first time in 200 years farmers have to adjust to the idea that their task is not to maximise production. While there has been no lack of suggestions for the alternative use of farmland, less attention has been given to the new pressures likely to be felt by rural planning authorities now that agricultural land has lost its automatic primacy.

No doubt there will continue to be tight restrictions in areas of traditional controversy such as housing and commercial development, but "countryside leisure" will almost certainly emerge as a new field of conflict.

In spite of a succession of fierce local skirmishes, rural leisure development has yet to come into sharp focus as a national issue. This may be because there is still a tendency to consider it as an adjunct to tourism. There are well-tried local procedures for assessing potential tourist attractions, using criteria such as infrastructure requirements, noise levels and "visual amenity," and an important factor has always been the likely benefit to the community.

But rural planning authorities, accustomed to taking a "soft" stance on tourist development because of its economic importance, are likely to find their criteria inadequate when confronted with the new generation of leisure concepts.

Take, *for example*, the proposal for a "themed leisure park" at Woburn Abbey in Bedfordshire. The scheme, provisionally named the Woburn World of Adventure, is designed by Tussands and Woburn Estates to replace the famous safari park with the sort of artificial "fun centre" pioneered at the hugely-successful Alton Towers in Staffordshire. Initially rejected, the scheme is expected to go to appeal.

For the developers a scheme of this kind has obvious attractions. It is not seasonal, it is largely weather-proof and its sheer size and variety makes it possible to capture customers for a whole day at a time. What it does not do is bring any economic benefit to the local community, being a sealed environment with no money spent outside its gates. It creates jobs, of course – it may even dominate the local labour market – but plenty of rural communities have come to regret their dependence on a single leading employer.

Apart from the obvious objections on the grounds of increased noise and nuisance, this sort of proposal is likely to provide demands for additional planning criteria concerned with the ethics as well as the aesthetics of countryside use.

National organisations such as the Council for the Protection of Rural England are already beginning to turn the spotlight on "irrelevant" leisure schemes, defined as those which have no essential connection with the countryside and are only there because space is available.

So it is only a matter of time before grass-roots pressure groups begin to orchestrate protest against all-year recreational facilities aimed not primarily at tourists but at a car-borne clientele from nearby urban centres.

To put it bluntly, local authorities will have to decide whether they are willing to allow their rural communities to be used as commercial playgrounds. If they are not they will need to define their reasons pretty cogently – a difficult task because, in effect, *they will be making a stand for* the indefinable value of the natural landscape.

Ethical judgments along these lines become even more difficult in the case of "greener" projects. Earlier this year the local authority rejected an application for a countryside leisure, sport and tourist complex on a 432-acre site at Clinger Farm, near Buckland Newton in Dorset. The scheme included a caravan site, a hotel, a village, craft workshops, a "traditional farming area," sports facilities and planned walks and rides through an interpreted landscape. It is obviously no Alton Towers, but it has much in common with the leisure park in that it aims to bring together on one site attractions which would otherwise be scattered, thus ensuring a longer visitor stay and creating another sealed environment. It is significant that the main planning objection was to the potential nuisance of caravans and not to the concept, although the deeper objection to such developments was voiced recently by Lord Swinson, the chairman of the Rural Development Commission: "We must not allow two versions of the countryside to develop – the green and pleasant land which people visit and fantasise about, and the place where many people live and work."

This seems to be a clear hint that planning policy should firmly oppose the overlaying of synthetic countryside on the real thing.

It is a situation that cries out for national policy, but that is unlikely to be forthcoming unless local authorities formulate it through their own channels of communication.

Lawrence Garner

Countryside welfare a priority

Patten changes course

Chris Patten

OCTOBER 4, 1989, could well go down in environmental history as a turning point for rural development.

It was the day when the recently-appointed Environment Secretary announced decisions designed to demonstrate the Government's concern for the welfare of the countryside.

Mr Chris Patten reversed the decision of Mr Nicholas Ridley, his predecessor, that he was "minded" to approve the development of a new town at Foxley Wood near Fleet, Hampshire. He withdrew the guidance to planners that had proposed a "special presumption" in favour of housing development.

He also issued a consultation paper setting out draft guidance on planning and housing to replace the Planning Policy Guidance Note No 3. In this paper he laid much more stress on the importance of good design for new housing and stressed the need for more local involvement in planning decisions.

It is early days to say how serious or superficial the minister's early attempts are to mollify both the "greens" and the "not in my back yard" Tory lobbyists.

At the heart of all the objections to building in the countryside lies a profound shared concern about the future appearance of the British landscape. This concern also comes about because so many people feel that new buildings in the countryside are always likely to be so much worse than old ones.

When Mr Ridley announced his discussion document "Village housing and new villages" last year, he took the opportunity to say: "So much development is low-quality design and layout of boring uniformity. Building over the last three decades could have been more sensitive and sympathetic to the surroundings. We must release the native design talent which was present when villages were built several hundred years ago."

Mr Ridley did not get quite the media coverage afforded to the architectural pronouncements of the Prince of Wales, but his words struck home to the housebuilders that have to bear much of the responsibility for the low quality of housing design in both town and country.

Neither Mr Ridley nor Mr Patten contest the fact that there is a growing need for more houses, particularly in the south-east. The figure of 570,000 new homes by the year 2001 in London and the south-east is accepted as accurate. To achieve this figure, Mr Patten believes that only the proper use of planning procedures can ensure that architectural and environmental concerns, particularly in relation to the countryside, are dealt with satisfactorily.

It is this anticipated increase in the rural population that needs to be planned for in terms of houses, roads, shops and services.

There is a whole new world of infilling with buildings up to the line of new bypasses; hypermarkets and business parks, as well as new houses and new villages that has to be planned and designed. There is also the question of what to do with older buildings in the countryside that might have outlived their usefulness; particularly farm buildings. Changes in farming practice brings about the need for new types of agricultural premises and for the conversion of farm buildings into homes.

The minister has to find ways to ensure that development takes sufficient awareness of both environmental and aesthetic anxieties.

Mr Patten has said that "we are not in the business of sacrificing environmental quality to sheer housing numbers." Although the rate of housing growth has fallen sharply, the level of housebuilding is still high. There were some 78,730 housing starts in the south-east last year.

There is official encouragement for infill in existing settlements and for the redevelopment of land that has, for a variety of reasons, become derelict. But there is one particular area that has received both royal and ministerial encouragement, and that is the development of new villages.

It has to be said that there is not a great deal to be seen on the ground but plans are well advanced for villages at Dorchester, Dorset; Upper Donnington near Newbury, Berkshire; Shifnal near Telford, Shropshire; North Stainley, Yorkshire; and Hale on the north Cornish coast. They are all "traditional" in architectural style but they are radical in planning. Their plans are designed to ensure that they bear no resemblance to sprawling housing estates but are compact and, to a degree, self-contained. Public buildings and work places are included in the schemes – which bear more relationship to the model villages of the 19th and early 20th century than to any more recent suburban sprawl.

Dorchester's "village" is not quite like the others. It is an addition to the existing town, to be built – with the backing of the Prince of Wales – on land owned by his Duchy of Cornwall. It has borrowed an idea from the US – a design "code" which will determine the appearance of the buildings.

Materials, heights, set backs, fences and general proportions will be prescribed. This will be done in a written code and a set of plans that can be (to a degree) interpreted by local builders. This approach has been tried in some new towns in the US, with particular success at Seaside in Florida.

Existing planning arrangements in the UK do not encourage planners to interfere with schemes on aesthetic grounds but there is a strong argument for a set of simple rules that will work positively to encourage developments to fit in to existing villages and the countryside.

When it comes to farm buildings, the replacement of the Farm Capital Grants Scheme and the Agricultural Improvement Scheme by the Farm and Conservation Grant Scheme in February 1989 shows that there is much more emphasis on the encouragement of local vernacular building traditions.

Up to 50 per cent grants are available for "new or rebuilt walls and banks constructed from traditional materials." Grants of 35 per cent are available for repair or reinstatement of traditional buildings constructed of materials traditionally used in the locality. No grant aid is available for buildings that use "universal materials like asbestos, fibre cement, concrete blocks or steel or aluminium profiled sheeting." It is worth noting that, within the grant system, lurk serious elements of a design code for some of the buildings in the countryside.

Codes, intelligent private patronage for new villages and a revival of interest in planning at the local level are all ways of raising the standards of design for buildings in the countryside. There are clear signs that votes are to be won or lost on both design and green issues, and there are hopeful signs that Mr Patten is only at the beginning of a significant programme of planning changes and controls that will be the opposite of the *laissez-faire attitudes* of his predecessor.

It is difficult to legislate for beauty but it is possible to create a framework that will help architects and builders to enhance rather than destroy the rural environment.

Colin Amery

Housing is the farmer's best cash crop, reports **John Brennan**

Planning for a cash windfall

ONE ACRE of moderate quality arable land can have a number of sharply different potential values.

To an owner claiming all the grants now available to set the land aside as surplus to agricultural needs, and with permission to seed for commercial forestry, that acre's book value would be written down to a few hundred pounds. Auctioned for agricultural use it would need to have recorded exceptional yields to justify a price beyond £1,000 to £1,400 in the patchy bare land market of the past few years.

As an over-the-hedge purchase, bid for by a neighbouring farmer able to average costs against existing, historic-priced land, a competitive auction could push this notional acre's worth into the £2,500 to £3,000 range. However, the real leap in potential value only starts to emerge when that acre is no longer treated as part of the factory floor of the farming industry.

As a trouble-free grassland in the extended "garden" of a residential farm, our acre's value is free of the price limits imposed by its crop-yield. House and land prices equating to between £4,000 and £6,000 an acre have become commonplace for the scenic space that draws the buyers to "toy" farm sales.

Even that is but a shadow of the value of simple grassland made available as paddock in the wealthier commuter belts.

It can take a single signature to transform the valuation still further. Although developers have geared down their land acquisition programmes in line with the slump in home sales volume in the past 18 months, planning permission for development can still turn a farmland acre in the south-east into £250,000 worth of site value.

There may well be land owners whose attitude to development is as fiercely negative as that of any of the new generation of urban exiles who fight planning applications to protect their adopted countryside. Yet housing remains the best cash crop for any farmer.

The current average of 12,000 acres of farmland adopted for urban use in Britain each year represents, at a minimum, a £15bn incentive to sell. And the continuation of roll-over tax relief provides the further incentive of a cushion against having to hand back to the Revenue too substantial a slice of such windfall gains.

Farmland agents confirm that roll-over provisions encouraging land sale proceeds to be re-invested in another working farm have become one of the mainstays of the agricultural land market. Agricultural values alone could not explain the relative strength of the market at a time when the Europe-wide problem of over-production, and the consequent progressive reduction in the value of state subsidies to the industry, is undermining farm incomes. Best estimates are that, unless Britain's farmers work to reverse half a century's effort to increase output, as much as 5m out of the country's 24m acres of agricultural land will have to be taken out of production by the century's end.

Given the choice of reverting to pre-war style "dog and stick" farming (walking the land and *watching the weeds* grow) at a few hundred or a few hundred thousand pounds an acre, *it's a rare farmer who* wouldn't jump at the chance of seeing a housing estate on the lower fields.

Politically, responsibility for land use policy is one of the most thankless of all ministerial briefs. National, regional and local planners are also in a "no win" situation.

Developers find the current piecemeal approach to land use both costly and ineffective.

Home buyers have to pay for those extra costs and suffer from the housing inefficiencies imposed by site restrictions. Home owners in urban areas lose their gardens and open spaces to in-fill developments squeezed out of often far-from-green "greenbelt." Traditional country home-owners and their children are priced out of their local areas by incomers seeking a country lifestyle. Those incomers have an understandable dislike of any developments involving re-zoning of the nearby landscape for additional homes. Landowners apart, everyone, it seems, is *losing out.*

The Government has accepted that a serious problem exists and has doubled its highway construction budget to £12bn over the next decade, reports **Kevin Brown**

Road to less congestion

CONCERN ABOUT Britain's transport infrastructure has been mounting rapidly over the past two years as professional associations and parliamentary committees have competed to paint the gloomiest picture of worsening congestion.

In the past few weeks alone, a House of Lords select committee has called for urgent action to tackle the UK's inadequate roads and the Confederation of British Industry has warned that businesses may move to northern France unless big improvements are made.

The Government has accepted that a serious problem exists and has doubled its road construction budget to £12bn over the next decade – most of which will be spent on widening motorways such as the M1 from London to the north of England, the M6 from Birmingham to the north-west, and the M25 London Orbital Motorway.

Like the road building of the past three decades, which created the existing motorway network, this programme is intended primarily to improve communications between urban centres.

However, Mr Richard Diment, deputy director of the British Road Federation, says the construction of trunk roads does have a clear benefit for the rural areas through which they pass.

The obvious examples are the M11 corridor, from London to Cambridge, and the M4 Thames Valley corridor, both of which have become centres of high technology industry as a result of improved links with the capital.

There are other examples, such as the area around the M4 in South Wales, the M40 route from London via Banbury to Birmingham, and the A55 corridor in north Wales, Mr Diment says.

But if rural areas are to benefit, the important issues are access through junctions and comprehensive land use planning by the local authorities through which the motorways pass.

"It is not an easy thing to get right, but given the right emphasis on planning policy it certainly can be done, and many areas have shown that growth can be generated," says Mr Diment.

The other benefit which the roads lobby claims motorways bring to rural areas is environmental improvement, at least for those communities out of sight and sound of the traffic.

"Motorways are really only a series of high standard bypasses linked together," says Mr Diment. "If you look at the M5/M6/A74/M74 corridor from Exeter to Glasgow, for example, that effectively provides a bypass for something like 250 towns and villages.

"Even the M25 has had a major impact on reducing traffic congestion on the roads which run parallel to it. It has transformed those roads and the towns and villages through which they run to the extent that you can actually have a normal conversation in them now."

However, not everyone is quite so sanguine about the impact of improved transport links on the countryside. Professor Tony May, head of Leeds University's Institute for Transport Studies, believes that many of the perceived benefits are a question of faith.

"As far as the effects of transport on economic growth are concerned it can help to ensure that activity takes place in locations where it is beneficial, but it will only work if there is a clear framework for it," he says.

Prof May says there is evidence new infrastructure might not always have the desired effect. For example, many distribution companies have responded to *improvements in road links* by centralising their depot network.

This increases their transport costs because the remaining depots have to cover larger areas but it cuts labour and fixed costs and reduces economic activity in some areas. This may well be in the interests of the company and the national economy but is unlikely to help localised economic regeneration, Prof May says.

The provision of good transport links is a necessary precondition for economic regeneration but *it is not sufficient* in itself. The availability of suitable land, premises and labour are equally important, he says.

Dr David Banister, senior lecturer in transport policy at University College London, says the main impact of transport improvements on rural areas has been the growth of long-distance commuting and the associated increase in rural land values, especially for housing.

This has the benefit of bringing new money into the rural economy, especially since the newcomers usually choose communities with schools and shops which may have been under threat of closure.

But it does raise the alarming prospect of rapidly increasing atmospheric pollution, especially if the proposed increase in road capacity encourages even more people to move out of the big cities.

Private cars produce 17 per cent of the carbon dioxide gases released into the atmosphere in the UK and that figure is unlikely to fall without the widespread introduction of so-called lean burn engines, which is still a long way off.

Even without a substantial increase in long-distance commuting, the Transport Department is forecasting an increase in demand of between 83 per cent and 142 per cent over the next 35 years – and those figures were calculated before the recent announcement of the expanded roads programme.

One way to reduce the impact on the environment would be to encourage greater use of public transport, but there are practical difficulties to be overcome.

British Rail has recently decided after a lengthy review to maintain almost the whole of its provincial network but the rural network was reduced by about half in the 1960, and now functions largely as a link between small towns and their bigger neighbours.

At the same time, the frequency and reliability of rural bus services has probably been damaged by deregulation in 1986, although the evidence is not yet clear. However, buses catered for only 5 per cent of rural travel in the last Transport Department survey before deregulation, so they are at best of marginal importance.

In Dr Banister's view, the private car will continue to provide the mainstay of rural travel for the foreseeable future because its flexibility makes it ideal for use in areas where the population is dispersed.

But he predicts that volunteer and community services will increase in importance as their potential is recognised: there is no reason, for example, why regular meals-on-wheels services should not be used to deliver prescription medicines to the elderly.

The Rural Development Commission, a government quango, is already setting up a system of local transport brokers to organise services like this in co-operation with local authorities.

Acquisition strategy

Dos and don'ts of going shopping on the Continent

Richard Tomkins reports on the UK-based Canning group's experiences

Ron Brown (left) and David Probert: "English is the international business language"

Coincidentally or not, David Probert's generous shock of white hair was several shades darker before his company embarked on a policy of acquisition in Europe.

Four years on, what the 51 year-old chairman of W Canning, the UK industrial group, has lost in pigmentation, he has gained in an unusually large portfolio of Continental subsidiaries and a fund of useful anecdotes.

One story illustrates how the waters of the Channel separate not only the shores of Britain from those of mainland Europe, but also, in some cases, the strictness of its accounting rules.

"There was this Italian company we'd been talking to off and on for a year or two," says Probert, "and it got to the stage where we asked if we could have a look at their balance sheet.

"They said: 'Tell you what, to make matters easy, just tell us the figures you want to see, and then we'll send you our accounts.' We didn't buy the company."

Canning did, however, buy many others. Indeed, in spite of its modest size – it made pre-tax profits of £7m on sales of £80m in 1988 – it has become one of Britain's most active purchasers of businesses in mainland Europe, collecting along the way wide experience of the pitfalls that await the smaller company expanding beyond the Channel.

Although Canning's acquisition spree was accelerated by the approach of European harmonisation in 1992, it was originally triggered by the recession of the early 1980s. This hit its core business of supplying electroplating materials to the metal finishers of the West Midlands.

The company responded by setting out to build a European business encompassing two main areas of expertise: one, the manufacture and supply of speciality chemicals such as sealants, additives and lubricants, and the other, the distribution of electronic components such as resistors, semiconductors and microprocessors.

Over the past four years, in 12 deals costing between £350,000 and £5.5m, Canning has bought 20 companies – mostly small, family-owned businesses. In the process it has assembled an empire spanning Belgium, France, Italy, Spain, the Netherlands and West Germany, and now makes 70 per cent of its sales overseas.

Canning's strategy is to run a small headquarters in Birmingham (its home for the past 204 years) and leave operational management to its subsidiaries. Consequently, it is not interested in rescuing companies; it looks for well-run businesses with complementary products, and aims to keep the management in place.

These days, Canning's best source of information on potential acquisitions is its existing overseas subsidiaries; but for the beginner, it says, the first hurdle is identifying targets.

According to Ron Brown, Canning's 49 year-old finance director, public sources of information are of little use. Financial information on private companies is not widely available on the Continent, and does not always give an accurate picture of a business's profitability.

A more reliable course is for the acquirer to approach his own clearing bank or merchant bank, which maintain registers of potential merger and acquisition targets. Brown warns, though, that because the banks are big, and their M & A registers are extensive, an acquirer needs to give a fairly close definition of its requirements in terms of size, location and product.

Canning itself found Continental banks more helpful because they were smaller. All its early acquisitions came either from this source or from company brokers – firms specialising in corporate marriages. But Brown says the beginner can find it hard to get the brokers motivated.

He says: "If they work on a success fee basis and you have no track record in making acquisitions, they're afraid you'll be wasting their time. That means it can take quite a while for them to come up with anything you're interested in. But once you've made your first transaction and they realise you're serious, the propositions come pouring in."

Next comes the first personal contact with the vendors – and with it, the potential embarrassment of the language barrier. But according to Probert and Brown, the UK executive with nothing but his native English need not be ashamed to speak it. In fact, he might do well to insist on using it.

"English, after all, is the international business language," says Brown. "If you're building an international group like ours, a French company that joins is going to be discussing its business with Englishmen, Germans and Italians. If its management hasn't got at least some knowledge of English, then that's likely to be a major problem as far as developing that business is concerned."

But language apart, say Probert and Brown, diplomacy and tact are vital in dealing with Spanish, German or French owners who have built up their businesses themselves.

"You have to remember that although selling out goes on all the time in the UK and US, in mainland Europe it is just not the common thing to do," says Brown.

"The company is a source of pride to its owner, and very often it underlies his standing in the local community. On the Continent it's almost an admission of failure to be selling out, so you have to put it over very positively."

Probert and Brown are at pains to emphasise in talks with vendors that the company being sold will keep its own name, identity, management, and method of operation. Later, they arrange for the vendors to visit Canning's UK facilities and, if possible, an existing Canning subsidiary in the vendor's own country. That way, the vendors get a clear picture of what lies ahead if they sign.

This is not just a one-way process. As Probert explains, there is no point in buying the company unless it sits well with others in the group, so Canning sends in its own managers to crawl over it.

"We operate a black ball system," says Probert. "The people who are going to have to work with that business have got to see the mutual benefits coming through. If anybody at Canning who is vaguely involved with the acquisition doesn't like it, then we tend to walk away."

On the investigative side, Probert and Brown say market research is the least of their problems. Canning, after all, sticks to products it knows, and it is normally easy to obtain statistics on the level and pattern of demand in any given country.

The greater difficulty is with the vendor's accounts. Usually, say Probert and Brown, the first glimpse of financial information they get consists of what the taxman has been shown, accompanied by some hefty nudges and winks to the effect that this tells only part of the tale.

Italy and Spain, says Brown, are the worst for black money – that is, money that does not appear in the accounts. "As a UK plc we simply can't have anything to do with black money, so if we find any major involvement, we just don't do the deal."

With audits costing perhaps £10,000 to £15,000 a time, however, Canning likes to reach a basis of understanding before detailed investigations begin; and if negotiations do reach this stage, it sends in its own accountants (Peat Marwick McLintock) rather than using a local firm in the country concerned.

Says Probert: "If you use German accountants, for example, they give you all the detail but ignore the fundamentals. They'll tell you all about the cashflow down to the last pfennig, but they won't tell you there's a writ hanging over the company that's about to destroy the business."

Asked what practical advice they would offer to a company setting off on the acquisition trail, Probert and Brown offer the following tips:

- React quickly to an approach. "You really must put yourself out. If you try to structure everything into your diary and say you'll visit them in two months' time or send someone else along, you'll never buy anything."
- Respond at senior level. "At least one of our acquisitions was secured against competition from a major UK group which had been talking about the deal at divisional level for about 12 months without ever asking its main board for a decision."
- Be sure you trust the people. "Mutual trust is essential if you are going to work together. If you're not happy about the people, then however good the company, however good its products, and however good the fit, walk away."
- Be ready to have your patience tested. "Making acquisitions is a great time-waster; in our early days, only one in 100 deals came off. People have worked out with someone else, and some people – though more in the US than Europe – use you to put a valuation on their business just for their own pride."
- Do not be stampeded. "It's easy to be rushed into doing something because it's the flavour of the day or because three other people are lining up to buy. Often we don't offer the highest price but emphasise instead what we can bring to the party by putting our products through their business."
- Do not be "chipped". "Advisers' fees and other expenses can easily add 10 per cent to the cost of making a £3m-£5m deal. Once you've got that far, there's a great temptation to go ahead with the deal even if the profits turn out to be slightly lower or the price slightly higher than you expected. But remember if the vendor chips you now, then once you've bought that business, he'll be chipping you for the rest of your life."

How to get more out of less

Michael Skapinker says companies must reappraise their manufacturing weapons

A household goods company tells the story of a recent product acquisition. The product was made in a wide range of different sizes and packages.

The company asked for a sample of each package to be brought to a meeting. The conference room was so full of packages, the company almost decided to move the meeting to another room.

Many European factories manufacture large numbers of different products or the same product in several different packages. The cost of doing so can be high. When the household goods company reduced the number of packages in which it offered its household cleaners the savings were even larger than expected.

The move towards a single European market has prompted many manufacturers to consider the rationalisation of their production.

If transport within the European Community becomes cheaper and simpler, surely it will make sense for manufacturers to get each of their factories to make a smaller range of products and distribute them to a larger number of markets?

Last year, Imede, the business school in Lausanne, brought together nine multinational companies operating in Europe to discuss this issue. Using insights gained from this discussion, Robert Collins of Imede and Roger Schmenner and Clay Whybark of the Indiana University School of Business divided European factories into four categories.

They outline their categories, which rely heavily on military imagery, in the latest edition of the European Business Review.*

The first type of plant is like an infantry division, they say. Its geographic range is limited but it can carry a wide range of weaponry. Factories producing a large number of products for a single national market fall into this category. Plants of this sort are extremely common in Europe.

The second type of plant is like a tank corps. It has just one weapon (or product) and also has a limited geographical range. These plants, too, are common in Europe.

The third type of factory is like a naval flotilla. It boasts a wide range of weapons and ranges over a large geographic area. There are fewer European plants in this category, producing a wide range of products for most or all Community countries. There are some in the chemicals industry, for example.

The fourth type of plant is like a missile silo, containing a single weapon with a large geographical reach. There are few of these in Europe. Those that there are often belong to American multinationals.

"Nevertheless, the 'missile silo' plant is the most attractive for many enterprises," the writers argue. "The limited product mix makes many of the plant's management activities much easier to perform well. With the extension of the geographic markets served, the plant can also exploit any prevailing economies of scale. Overhead to support the product line is not dispersed among several plants, but can be concentrated in one location and thus duplication can be avoided."

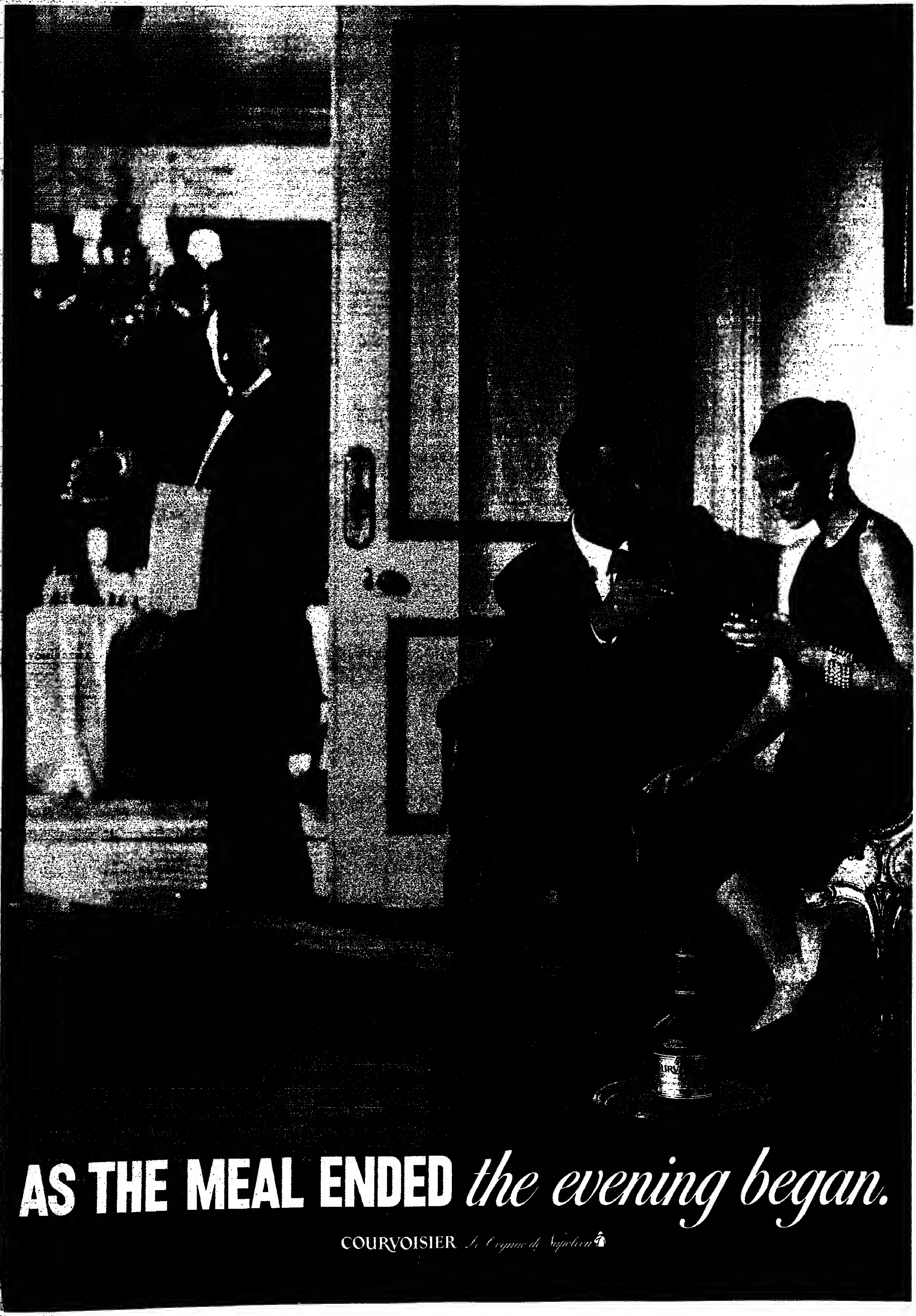
Of the nine companies at the Imede workshop, only one, a large computer company, had set up its manufacturing in this way. The others tended to have plants that fall into more than one of the categories.

The writers recognise that focusing factories in this way is not easy. Nor is it always desirable. Many firms have gone to a great deal of trouble to tailor goods for national or regional markets. Whatever the progress towards a single market, "European nationalism is strong, scepticism of another country's manufacturing skill abounds, and language remains a barrier."

"Companies will be tentative, at first, in taking advantage of the opportunities opened by 1992. The initial going may be slow, but when one competitor gains pan-European success, then others in its industry will be pressured to duplicate the feat."

"In that sense a 'Europe without frontiers' represents a real frontier for manufacturing and it will be intriguing to see who will decide to be pioneers."

*Volume 1, Issue 4.


AS THE MEAL ENDED the evening began.
COURVOISIER Le Cognac de Napoléon

TECHNOLOGY

Louise Kehoe examines the potential health hazards of using desktop computer terminals

The friends that may also be foes

Are desktop computers hazardous to your health? For the tens of millions of office workers who spend much of their day glued to a computer screen, this is a question that demands a straight answer. Getting one is not easy.

Computer terminals have been blamed for all manner of health problems over the past few years, from eye-strain to "repetitive strain injuries" and from miscarriage to cancer. The growing litany of complaints has raised serious concerns, but in many cases there is no positive evidence to assign blame solely to the computer.

Other factors such as stress, poorly designed furniture, poor lighting and ventilation may be significant contributors to "computer sickness". In some instances people have been too quick to jump to conclusions. At one US newspaper office where a disturbing number of women had miscarriages, thought to be linked to the use of computers, it turned out that drinking water may have been contaminated with lead.

Eagle eye

None the less, there is mounting evidence that the seat in front of a computer terminal is not the benign working environment that most had assumed. For thousands of computer workers, numbness in the fingers has been the first symptom of repetitive strain injury, a range of conditions that involves painful inflammations of the wrist, arm and hands, caused, it is believed, by the continuous use of computer keyboards.

Repetitive strain injuries and, in particular, carpal tunnel syndrome have reached near epidemic proportions in the US. The Communications Workers of America, a major trade union, reports that 30 to 60 per cent of its members who use computer terminals have symptoms. Among the victims are journalists, data entry clerks, telephone directory assistance operators and postal workers who sort mail using automated terminals.

One of the most hotly debated issues about the safety of computers is whether the non-ionising electromagnetic radiation that all types of computer terminals emit constitutes a health risk. Until recently, most scientists believed that these types of very-low frequency (VLF) and extremely low-frequency (ELF) radiations and the electric and magnetic fields that they create had no biological effects. Now they are not so sure.

A study sponsored by the US Congressional Office of Technology Assessment reviewed the available data and came to the conclusion that: "The emerging evidence no longer allows one categorically to assert that there are no risks (from ELF and VLF radiation). But it does not provide a basis for asserting that there is a significant risk."

Although the OTA study, published earlier this year, focused upon the possible health risks of radiation from electrical power lines, the report concluded that the problem may be far-reaching: "If exposure to fields does turn out to pose a health risk, it is unlikely that high voltage transmission lines will be the only sources of concern. Power-frequency fields are also produced by distribution lines, wall wiring, appliances and light fixtures. These non-transmission sources are much more common than transmission lines and could play a far greater role in any public health problem."

For those who believe that radiation from computer displays does pose a health risk, the OTA report marked a watershed — the first official acknowledgement that a problem *may* exist. Since then, alarming reports including the preliminary results of a Johns Hopkins University study that found an increased rate of cancer among telephone line repairmen have added to fears that even very low levels of low frequency electromagnetic radiation may be dangerous.

Serious concerns about the health of pregnant women using video display terminals were raised by the publication of a study by the Kaiser Permanente Medical Group in Oakland, California, last year. The researchers reported that women clerical workers using a video display terminal for more than 20 hours per week during the first three months of pregnancy were twice as likely to have a miscarriage.

The study also produced contradictory findings, however. A group of 40 women managers who used computers showed a 30 per cent lower than normal rate of miscarriages.

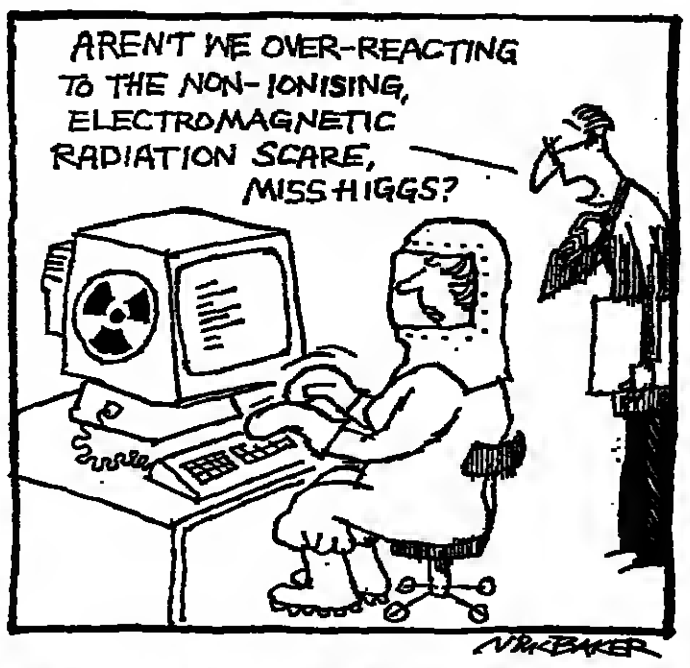
The researchers warned that the issue needs further study and suggested that the increased rate of miscarriages could be due to other job-related factors, such as stress, rather than directly linked to the computer terminals.

The results of a larger scale study are to be published early next year by the National Institute for Occupational Safety and Health. Designed specifically to determine whether VDT use affects the outcome of pregnancy, the study focuses upon the reproductive health of 2,500 women telephone operators who work at computer terminals.

But more research is needed, many feel. "There are still many unanswered questions about the potential health effects of VDTs and of electromagnetic fields generally, but there is no longer any doubt that this form of radiation can cause some biochemical changes. In my view that information alone is sufficient to warrant a renewed commitment on the part of government and private industry to study this issue and search for solutions to protect people," says Senator Albert Gore, who has taken a close interest in computer safety.

The computer industry is beginning to react to growing public awareness of the issue, although manufacturers are careful to point out that there is no proof that radiation from computer displays is harmful.

International Business Machines said last week that it plans to introduce a range of computer monitors with reduced electromagnetic radiation emission, including models designed for use with personal computers.



In September IBM introduced a range of displays for its mainframe computers called "InfoWindows" which meet stringent Swedish standards for low radiation emission. Previously, the company offered low radiation displays only in Sweden and Denmark.

IBM, which sells an estimated 2m VDTs per year, continues to believe that its current models are safe, however. "This is a market-driven issue, not a health or safety issue," said a spokesman.

Other computer makers may be prompted to follow IBM's lead. Most US computer companies, however, say that they have had little demand for low-radiation terminals. Hewlett-Packard, which offers low radiation terminals, says that it gets only about six requests per year for them. "We keep a close watch on all of the studies, but to date we have not seen any conclusive evidence that there is a problem," a company official said.

Sweden is so far the only country to establish standards for video display terminal radiation. Last year management and labour groups in Sweden agreed to low radiation standards that are now widely used in that country.

"There has been extraordinary negligence on this issue in the United States," maintains Louis Slesin, publisher of VDT News and a respected commentator on computer health issues. "There has never been any systematic study of the emissions from different types of VDTs," he points out. Such a study would be relatively simple and would provide a valuable service to the public, he suggests. "We are burying our heads in the sand. We should have a government agency, perhaps the National Bureau of Standards, doing this." Sweden has set an example for the world, Slesin says. "It has demonstrated that computer manufacturers will respond to market demands."

A simple, yet effective way to protect computer users from radiation is to place a radiation shield over the computer screen. A handful of US companies offer these shields and sales are growing rapidly. "To the extent that electromagnetic radiation from a VDT represents a health hazard, and I personally believe that it does, there is nothing that reduces it more than our product," claims Michael Hines, president of NoRad Corporation of Santa Monica, California, a company that has taken the lead in the low-radiation trend.

NoRad backs up its claim with the results of independent laboratory testing that compared the attenuating qualities of its shields with those of other US manufacturers.

NoRad's screen is only a partial solution, however. Although it shields the user from the electrical field created by low-frequency radiation, it does not attenuate the magnetic field, which some medical researchers believe may be an important factor in biological changes. NoRad says that it plans to introduce an additional product, which it will sell in combination with its screens, that substantially reduces the magnetic field. The cost of the combined package will be well under $200.

The NoRad shield is a specially treated metallised micro-mesh screen that sticks on to the front of a computer monitor. The polyester mesh is coated with nickel, copper and a proprietary crystalline coating. The metallic elements block more than 99.99 per cent of the electrical field emitted from the face of the computer.

Placing a shroud over the front of the computer screen has some beneficial side effects. The grey background of most monochrome computer screen looks blacker when viewed through the mesh, increasing the contrast and clarity of the text. The grounded shield also gets rid of the static electric effects that draw some dust particles to the screen and repel others on to the face and eyes of the user.

A common misconception about computer terminal radiation emissions is that they emanate primarily from the front of the computer, through the screen. But many computers emit more radiation from the back and sides. This presents a problem in crowded offices, or those in which workers' desks are arranged so that they face one another.

The radiation from a computer terminal attenuates quickly over a distance of a few feet. In 1987, the World Health Organisation recommended that computer terminals be spaced at least one metre apart — in all directions. It is unwise, most experts agree, to arrange computer terminals so that workers sit, for example, in front of one and behind another.

While the effects of low-level non-ionising radiation remain a subject of debate, there is overwhelming evidence to suggest that prolonged use of a computer terminal can cause eye-strain. Local authorities in Suffolk County, New York, passed legislation last year requiring employers to provide eye care for those who use computer terminals and establishing standards for lighting and other factors.

Although the Suffolk County law has been challenged by local business groups, similar legislation is pending in approximately 25 US states. In California, for example, state legislators introduced a proposal in February calling for all computer equipment to comply with ergonomic standards established by the American National Standards Institute. The bill would also establish a committee to develop guidelines for pregnant computer operators.

In the private sector, businesses that employ large numbers of computer users are also taking "preventative measures". Several US companies now offer employees special reading glasses designed to focus on the computer screen, which is typically about two feet away from the user, rather than at the one foot or so distance where most people hold written material.

With over half of the working population expected to use computers by the turn of the century, it is extraordinary how little attention is being paid to this issue.

Bridges size up stress

Bridges should become safer through a research project involving the West German chemical company Bayer, the Cologne Strabag Bau company and the West German Federal Ministry of Research and Technology.

By integrating sensors into composite fibre materials, which are being used to strengthen concrete, the Germans have developed a system that detects potential or actual defects in a bridge.

The research project was conceived when polystal — a glass reinforced plastic composite with the advantages of steel yet corrosion resistant, considerably lighter, more elastic and electro-magnetically neutral — was shown to have a tensile strength that made it an ideal alternative to steel used in prestressed concrete.

A bridge was built in which the new composite material was used to prestress the concrete to a working load of 60 tonnes with "tendons," consisting of 19 glass fibre rods, each 7.5mm in diameter and comprised of 65,000 individual fibres.

Because of their excellent light permeability, optical fibre sensors are used to transmit telecommunication signals. They were adapted for the constant measuring and control of forces within the prestressed tendons. It was then possible to discover what was happening inside a prestressed concrete structure, by determining changes in stresses from measured changes of strain.

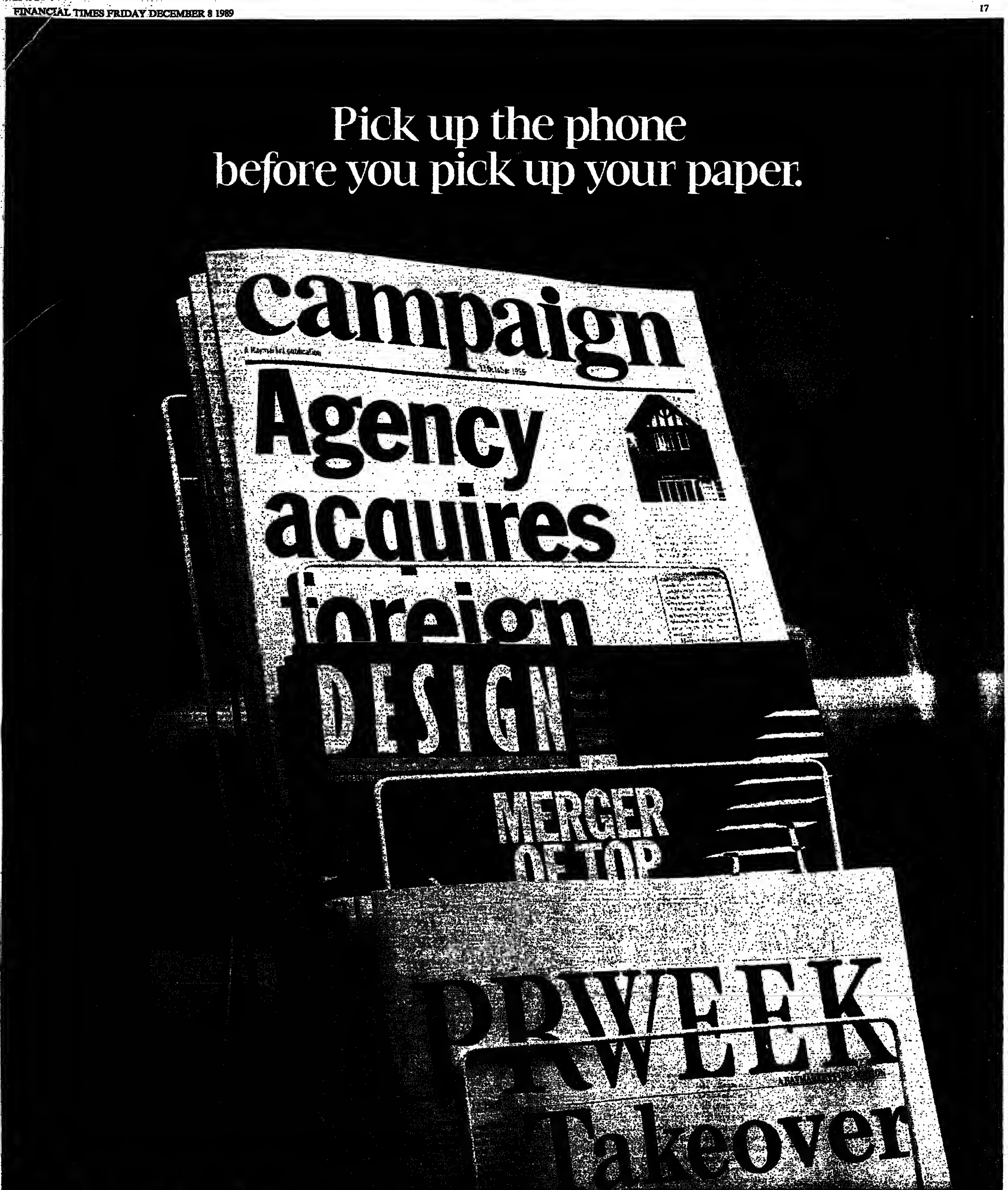
The engineers incorporated an optical fibre sensor into selected, unstressed glass fibre rods and conducted a laser beam through it. They established that as long as there was no fault in the concrete, the same amount of light entered and left the optical fibre.

However, any developing stress or crack in the concrete bent the beam at the point of the fault. Only some of the light continued along its path, the remainder reflecting from the obstruction. That change in light intensity could be detected by electronic monitoring equipment, which recorded the precise location of the fault and its extent.

The [illegible] also con-[illegible] programmed to carry out tests from time to time.

Having subsequently proved the effectiveness of their "intelligent load bearing structure" on bridges in Berlin and Dusseldorf, the Germans advocate that for safety reasons all new bridges be equipped with automatic monitoring equipment.

Andrew Wiseman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OPERA AND BALLET

London

Royal Opera, Covent Garden. Further performances of the hideous new production of *Idomeneo* by Johannes Schaaf, conducted by Jeffrey Tate, with Philip Langridge in the title role, and Ann Murray, Sylvia McNair, Elizabeth Connell and Robert Tear completing the team of principals.

Paris

Théâtre des Champs Elysées. Bolshoi Ballet dances *Giselle* (2nd act) and *Spartacus* (2nd act) choreographed by Yuri Grigorovitch (Wed) 47203637).

Amsterdam

Muziektheater. The Netherlands Opera in *Don Pasquale*, conducted by Carlo Rizzi in a production by Renate Ackermann, sung by Hank Smit, Lillian Watson and Peter Bronder. The National Ballet appears in *The Sleeping Beauty* (255 455).

Brussels

Théâtre Royal de la Monnaie. The Monnaie Opera in *Fierrabras* by Schubert (concert version) conducted by Ingo Metzmacher (Fri, Sun, Tues).

Vienna

Staatsoper. *La Traviata* is conducted by Fabio Luisi, with a cast including Paul Winsauer, Anna Gonda and Horst Nitsche.

Berlin

Opera. *Samson und Dalila*, produced by Gian Carlo del Monaco, will have its premiere this week with Marjana Lipovsek, Wladimir Atlantow and George Fortune as leads. *Hänsel und Gretel* features Karan Armstrong, Marcia Bellamy, Gudrun Sieber and Gerd Feldhoff.

Hamburg

Opera. A Hans Sotin Lieder recital, accompanied by Helmut Deutsch with songs by Loewe, Strauss, Graener and Shostakovich. *Zar und Zimmermann* is a well done repertoire performance.

Bonn

Opera. Udo Zimmermann will be conducting his own opera *Die wundersame Schustersfrau*, which will have its premiere this week produced by the East German Christine Mielitz, with a strong cast led by Maria Husmann, Rolf Haunstein, Brigitte Lindner and Christine Obermayr. *Der Nussknacker* has Youris Vamos choreography.

Frankfurt

Opera. *Cosi fan tutte* has a first-rate cast led byMargaret Marshall, Mitsuko Shirai, Christopher Robertson and Hans Peter Blochwitz. Rusalka, conducted by Oleg Caetani is sung by Eliane Coelho in the title role, Seppo Ruhonen, Manfred Schenk and Gail Gilmore.

Cologne

Opera. *Faust* stars Josef Protschka in the title role. *Die Zauberflöte* has Susan Burghardt, Teresa Ringholz, Dieter Schweikart and Randall Outland as leads. The ballet *Nussknacker und Mausekönig* closes the week.

Stuttgart

Opera. *Der Freischütz* is respectable with Helena Doese,Toni Kraemer and Helmut Berger-Tuna. *Elektra* in Harry Kupfer's production features Anny Schlemm, Eva Marton, Wolfgang Probst, conducted by Garcia Navarro. *Tosca* stars Simon Estes, Giovanna Casolla and Michael Sylvester.

Madrid

Teatro Lírico Nacional. La Zarzuela. Under the artistic leadership of Jeannette Ordman, this Israeli company presents a series of performances distinguished by very modern choreography. Ends 10 Dec.

Rome

Teatro Dell'Opera. Beni Montresor's production of Verdi's *Falstaff*, surprisingly set in the Po Valley in northern Italy, is conducted by Evelino Pido. The cast includes Paolo Gavanelli, Maurizio Bolognesi and Adelina Scarabelli. (461755).

Milan

Teatro Alla Scala. Pier Luigi's Pizzi's lavish production of Verdi's *I Vespri Siciliani*, with dramatic sets in which Pizzi's favourite colours, red and black predominate. Riccardo Muti conducts a fine cast, led by American tenor Chris Merritt as Arrigo, Cheryl Studer as Princess Elena, Giorgio Zancanaro and Ferruccio Furlanetto as Procida, in place of the indisposed Paata Burchuladze. The third-act ballet, with Carla Fracci, is given in full (809126).

New York

Metropolitan Opera. Pre-Christmas celebration is brought by the premiere of August Everding's new production of *Der fliegende Holländer*, conducted by James Levine with Eva Marton, James Morris and Paul Plishka. Lincoln Center Opera House (362 6000).

New York City Ballet. *The Nutcracker* takes up the holiday season until Dec 31. New York State Theatre, Lincoln Center (870 5570).

Chicago

Lyric Opera. Barbara Daniels is Rosalinda and Neil Rosenshein sings Alfred in director Giulio Chazalettes's new production of *Die Fledermaus*, conducted by Julius Rudel. Frederica van Stade continues as Rosina in Roberto De Simone's production of *The Barber of Seville* conducted by Alessandro Pinzauti. Lyric Opera (332 2244).

Washington

Amahl and the Night Visitors. Zack Brown's production conducted by composer Gian Carlo Menotti is a one-act retelling of the story of the Bethlehem shepherd boy whose life is changed by the visit of the three kings following a star. Ends Dec 17. Kennedy Center Eisenhower Theater (467 4600).

Tokyo

Aida. The spectacular Arena di Verona production, with Maria Chiara and Aprile Millo alternating in the title role, and Nicola Martinucci and Mario Malagnini as Radames. Conducted by Nello Santi. National Sports Stadium, Yoyogi (Tues, Wed, Thur) (355 5611).

THEATRE

London

Jeffrey Bernard Is Unwell (Apollo). Brilliant performance by Peter O'Toole as an alcoholic journalist who embodies a Falstaffian, nay-saying life force while committing public suicide by vodka. Keith Waterhouse has stitched a fine play, the season's highlight, from Bernard's own writing. Ned Sherrin directs (437 2663).

The Good Person of Sichuan (Olivier). Magnificent National Theatre revival by wunderkind Deborah Warner of Brecht's greatparable of moral ambiguity about a Chinese prostitute who canonly do good by adopting a vicious disguise. Dec 19-21, Dec 28-Jan 3, Jan 11-18, Jan 29-Feb 3 (928 2252).

Another Time (Wyndham's). New Ronald Harwood play, directed by Elijah Moshinsky, about a white South African family in Cape Town and Maida Vale. Albert Finney plays father and concert pianist son across 35 years, suggesting that talent is a means of escape and a reason for not going back. Janet Suzman and Sara Kestelman are electrifying in support (867 1116).

M. Butterfly (Shaftesbury). Peter Egan has taken over from Anthony Hopkins as the tortured diplomatic hero in a Peter Shaffer-style "spectacle of ideas" dressed up in John Dexter's superb production as a metaphor of homosexual life. The transvestite tragedy proves less electrifying than in New York; the play is not very good but still worth seeing (379 5399).

New York

Heidi Chronicles (Plymouth). Wendy Wasserstein's award-winning drama covering 20 years in the life of a successful American baby boomer goes from support for Eugene McCarthy's presidential aspirations to electoral ambitions in the 1980s, accompanied by the musical and emotional flavour of the period (239 6200).

Gypsy (St James). This 30th anniversary production does more than revive a rich, vivid musical; it also introduces a new belter in the Merman tradition, Tyne Daly, as the bossy, tireless and tuneful Rose, who shamelessly leads her daughter into burlesque while rejecting a personal life for herself. (246 0102).

Grand Hotel (Martin Beck). Tommy Tune, Broadway's present musical doctor, directs this remake of the Garbo film to at least shake the bones of this inert depiction of lives crisscrossing in an elegant, but somewhat random setting (246 0102).

Sweeney Todd (Circle in the Square). An intimate production of the Sondheim-Wheeler musical in contrast with the elaborate original a decade ago emphasises the descent into madness of Bob Gunton as the demon barber of Fleet Street (239 6200).

Lend Me a Tenor (Royale). A sprucing up in the set of a decaying town's big time opera ambitions makes a transatlantic hit of this farce, first produced in London, but now with a local cast led by Philip Bosco and Victor Garber (239 6200).

Rumours (Broadhurst). Neil Simon's latest comedy is a self-conscious farce, with numerous slamming doors and lots of mugging but hollow humour that misses as often as it hits. Christine Baranski leads an ebullient cast in the inevitable but disappointing hit.

Cats (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry set to music is visually startling and choreographically feline (239 6262).

A Chorus Line (Shubert). The longest-running musical in the US has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions (239 6200).

Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama (239 6200).

Me and My Girl (Marquis). Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and dated leadenness in a stage full of characters. It has nevertheless proved to be a durable Broadway hit (947 0033).

M. Butterfly (Eugene O'Neill). The surprise Tony winner for 1988 is a somewhat pretentious and obvious meditation on the true story of the French diplomat whose long-time mistress was a male Chinese spy (246 0220).

Phantom of the Opera (Majestic). Stuffed with Maria Björnson's gilded sets, Phantom rocks with Andrew Lloyd Webber's haunting melodies in this mega-transfer from London (239 6200).

Chicago

Driving Miss Daisy (Briar Street). The touching relationship between a dowager, played in this production by Dorothy Loudon, and her black chauffeur exposes the changes in the South over the past several decades (348 4000).

Steel Magnolias (Royal George). Ann Francis and Marcia Rodd play the leads in this view of southern life from under the dryers in a busy hairdressing establishment (988 9000).

A Christmas Carol (Goodman). For the 12th year, the Goodman company does its holiday thing, with William J. Norris as Scrooge for the 11th year, but a new director, Steve Scott, and new adaptation by Tom Creamer promise to refresh the familiar. Ends Dec 30 (443 3800).

Tokyo

Kabuki. At the National Theatre (265 7411). *Hokaibo* (also known as *Sumidagawa*). Living National Treasure, Baiko, leads a top-rank cast in a lively lowlife piece about a con-man who disguises himself as a priest. At Kabuki-za (541 3131): two mixed programmes, at 11am and 4.30pm, featuring mainly younger kabuki actors. Both theatres have helpful English programmes and earphone commentary. (Visitors to Kyoto should note that there are also all-star kabuki performances this month at the Minami-za Theatre, before its demolition).

Kokumesnya Gassen. New play written and directed by Hideki Noda, loosely based on a famous puppet play by Chikamatsu. An exuberant comic-strip travesty of Japanese myth and history, and lots of colour and movement. The verbal humour may be beyond most non-Japanese, but this is nevertheless a most enjoyable production. Ginza Saison Theatre (5478 0771).

Bunraku. The sophisticated puppet theatre is a major element in Japan's cultural heritage. At 2pm: extracts from *Yoshitsune Senbonzakura (The Thousand Cherry Trees)*, a historical drama of medieval times. At 11am and 2pm: *Heike Nyogo ga Shima*, by Chikamatsu Monzaemon, sometimes called the Shakespeare of Japan. Since the matinees are intended mainly for schoolchildren, expect the audience to be boisterous. Earphone commentary in English available at the theatre. Opens Thur.

Body Wars 2. A science fiction allegory about power, performed by energetic fringe company, Daisan Erotica. Honda Theatre, Shimo-Kitazawa (369 1127).

EXHIBITIONS

London

The Hayward Gallery. The Other Story — an intriguing but uneven survey of the work in Britain since the war of artists drawn from cultures other than that of the western European tradition — weak in its socio-political and historical analysis but often strong in the individual work. Daily until February 4, except bank holidays.

National Portrait Gallery. Tom Phillips — The Portrait Works: a thorough, self-explanatory, painstaking survey of the work of our most painstaking artist, always interesting and sometimes lively. Daily until January 21 except bank holidays.

Camera Portraits from the Collection 1839-1989 — a necessarily brisk but delightful and intriguing survey-cum-celebration.until January 21.

Paris

Musée des Arts Decoratifs. Je suis le Cahier - Picasso's sketchbooks. After two years of meandering the world over, the exhibition ends, aptly, in Paris. The 40 sketchbooks covering a period of 64 years follow closely Picasso's development. There are cubist flat planes decomposing reality next to the fulness of neo-classical figures, there is the almost sugary rendering of the mother and child theme next to the cruelly distorted female faces, there are all the facets of Picasso's inventive genius.107, Rue de Rivoli (42603214), closed Tue. Ends Dec 31.

Grand Palais. Eros. Some 100 vases, marbles, bronzes and jewelsdating from Greek antiquity describe most explicitly the vervewith which the god of love encouraged humans and gods alikein their uninhibited pursuit of pleasure. Closed Tue, ends Feb 5 (42895410).

Musée des Arts Decoratifs. Bohemian glass 1400-1989. Some 200 exhibits, among them the famous ruby-coloured glass, show how — having freed themselves from Venetian influence — the glassmakers of Bohemia carried the art of cutting and engraving and painting to such perfection during the baroque period that the renown of Bohemian crystal conquered countries as far apart as Spain and America, Egypt and Ireland. 107, rue de Rivoli (42603214). Closed Tue, ends Jan 28.

Institut du Monde Arabe. Egypt-Egypt. An exhibition of 25 chef-d'oeuvres, including the most recent finds, starts with statues and bas-reliefs dating from the middle-empire, continues with a golden crown of a high priest of Osiris with some elements of Roman art and Coptic icons and concludes with Islamic exhibits. 1, rue des Fosses-Saint-Bernard (closed Mon). Ends Jan 14 (40513838).

Brussels

Europalia Japan 89:
Musées Royaux d'Art et d'Histoire. Nambam Art explores the Portuguese influence on Japanese painting and the Splendour of No Theatre shows props and costumes from the Rokuro Umewaka Collection. Closed Mon. Ends Dec 17.

Modern Art Museum. Takeo Yamaguchi and Yoshishige Saito — pioneers of Japanese abstract art. Ends Dec 17. Closed Mon.

Antwerp

Hessenhuis. 53 Falconrui. Japanese posters by 12 graphic designers. Closed Monday, ends Dec 17.

Madrid

Fundacion Juan March. Retrospective of Edward Hopper opens the autumn season at the foundation. 61 works by the New York realist covering a period of 56 years. Until Jan 4.

Barcelona

Caixa de Barcelona. Raoul Dufy. Works by the French fauvist,well known for his lively use of colour and interest in varied forms of art, are on show in Spain for the first time. The exhibit includes paintings, watercolours, drawings, ceramics and fabric design, belonging to private collections and museums. Ends 15 Dec.

Hanover

Sprengel Museum, Kurt-Schwitters-Platz. Der blaue Reiter (The Blue Horse). The museum is displaying around 61 pieces from its own collections as well as some additional paintings on loan from East Germany and by other artists who belonged to the same Munich-based group. Works by Wassily Kandinsky, Franz Marc, August Macke, Alexej von Jawlensky, Gabriele Münter and Marianne von Werfekin can be viewed until Feb 11.

Cologne

Museum Ludwig, Bischofsgartenstrasse 1. The most comprehensive retrospective on Andy Warhol, who died in 1987, with around 160pieces from New York. They can be seen only in Cologne until Feb 11. The retrospective includes works from the 1940s and 1950s as well as his famous portraits of Elvis Presley, Marilyn Monroe, Warren Beatty.

Munich

Städtische Galerie im Lenbachhaus. The most complete retrospective of the expressionist painter Karl Schmidt-Rottluff to date with almost 370 works from 70 private and public collections. After the Kirchner and Heckel exhibitions, this is the third significant project from one of the founding members of the Brücke group. Schmidt-Rottluff, who died in Berlin in 1976, was strongly attacked during the Nazi years.

Vienna

Museum for Applied Arts is hosting a large exhibition devoted to the works of Carlo Scarpa, the Italian artist and architect. The theme is focusing on "The Other City". Until Jan 15.

New York

Metropolitan Museum. A decade of fabulous shows borrowed from around the world culminates in the present exhibit of the major works of Velazquez, much of which is borrowed from the Prado in Madrid. Ends Jan 7.

Metropolitan Museum of Art. A major exhibit of the works of Canaletto brings alive scenes of Italy in its secular glory. Though many are familiar, the exhibit makes the artist's vision a breathtaking panorama with touching attention to detail. Ends Jan 21.

Museum of Modern Art. Covering only eight years, from 1907 to 1914, Picasso and Braque: Pioneering Cubism consists of more than 350 works of the two artists during their fruitful collaboration before Braque left for war. Ends Jan 16.

Centre for International Contemporary Arts. A new New York institution with the goal of cataloguing curatorial information about artists around the world opens appropriately with a retrospective of Japanese artist Yayoi Kusama. 57th & Fifth Av.

Washington

National Gallery. Almost three dozen paintings of the early 20th century German movements, Bauhaus, Neue Sachlichkeit and Blaue Reiter, lent by the Thyssen-Bornemisza collection, make a telling commentary on a part of the world again at the centre of attention internationally. Ends Jan 14.

Tokyo

Idemitsu Museum. Flowers of Edo. Paintings and prints of flowers from the Edo Period represent a new flowering in Japanese art, influenced both by new trends in the decorative arts of China and by the botanical illustrations of Europe. Closed Mondays.

Teien Museum, Meguro. Yasuo Kuniyoshi. Retrospective to mark the centenary of a Japanese artist who emigrated to the US as a teenager. His earlier work is glum and faux-naif, but in his last decade his palette was liberated and he produced a remarkable series of grotesque images of clowns and carnivals.

Tokyu Art Gallery, Nihonbashi. The Tale of Genji. Daring reinterpretation by a young painter, Kido Maako, of one of the great works of Japanese classical literature, depicted in countless scrolls and prints over the past 500 years.

Bunkamura. The Museum. Major works from the Detroit Art Museum. More than 100 paintings from one of the largest public collections in the US. Closed Mondays.

End of the line for Harriet Walter

The Duchess of Malfi

SWAN THEATRE, STRATFORD-UPON-AVON

John Webster's great sickly play is done rarely enough to *warrant a revival in the Royal* Shakespeare Company's Swan Theatre at Stratford-upon-Avon. And Bill Alexander's full-text, full value version deals magnificent justice to its glittering, malevolent poetry of death and lustful deceit. (Peter Greenaway's fine modern Jacobean film, *The Cook, The Thief, His Wife and Her Lover*, has many Websterian virtues – and vices – except the only one that really matters: its language. Helen Mirren, Michael Gambon's abused doxy Georgina in the film, was a memorable Duchess in Adrian Noble's Royal Exchange, Manchester, production.)

The personal theatrical vision comes first from a text which, alongside the same author's *The White Devil*, is surely the most remarkable in the canon, and I do not exclude Shakespeare. In doing Webster, as in doing Ben Jonson, the RSC renews its major commitment by taking on the opposition. An actor like Bruce Alexander, seizing voluptuously on the lycanthropic fratricide, Duke Ferdinand, both deepens his range and indulges in the darker side of madness untouched by Shakespeare.

The Swan is ideally *exploited, Fotini Dimou's great* mustard curtains revealing an inner picture frame stage for the grisly waxwork masque of death and tiring house for the parade of madmen. The play is about spying and observation, *from the destructive role of the* hired intelligencer, Bosola, to the view of herself as victimised portraiture by the Duchess. Not even the RSC at its best will match the interpretative nightmare vision of Philip Prowse with this play, but in doing all of it (Prowse's two versions, for the Glasgow Citizens and the National, were heavily cut) and in the appropriate dimensions and cockpit ambience of the Swan, Alexander comes mighty close.

The flight from Ancona is conceived as a compositional fugitive image, and where the play may sag after the Duchess is strangled, the fate of Antonio at the hands of the Duke and Cardinal remains interesting because of Mick Ford's determined and sympathetic performance. There is great poignancy in the echoing cloister, *savage beauty in the death* by poisoning of the Cardinal's whore Julia (Patricia Kerrigan's flame-haired floozy is brutally unlaced, legs spread, under a suspended crucifix and despatched at a great prie-dieu), and terror, too, in the sweaty fidgeting of Russell Dixon's damned crimson-clad prelate, who finally imagines his fish pond to be populated by piranhas.

The Duchess's tragedy lies in this displacement of her goodness by mental cruelty. Death is merely a minor incident in such a scenario, a side effect, a stage trick that taunts the imagination. Harriet Walter *re-joins the RSC to play the* role with translucent beauty, unhinged by panic, arms and small voice whirring like a hellish helicopter, when her mediating mortician, Bosola, puts murder on the agenda. Webster's genius lies in the theatrical condensation of the idea that all life, anyway, is a preparation for death.

In a strong company that actually looks like one, Jerome Flynn and Sally Edwards fall with relish on the rewarding minor roles of the dislocated witness Delio and the appalled servant Cariola, who is almost hilariously unprepared for her own grim demise, being pregnant and not lately in confession. Nigel Terry's Bosola lacks a certain edge and devilry, but is greyly sinister and serenely untroubled by guilt, unlike the madman who cannot sleep because his pillow is stuffed with a litter of porcupines.

Terry's time in the galleys is indicated by the ferocious triple plait into which his hair is wrenched, *allowing him to* unpin and subside into the elderly death dealer later on. The production, very well lit by Wayne Dowdeswell, is good, in such ways, at indicating the passage of time, the persistent and pitiable certainty of decay and corruption.

Michael Coveney

'Work of Angels' at the British Museum

"If you take the trouble to look very closely, and penetrate with your eyes to the secrets of the artistry, you will notice such intricacies, so delicate and subtle, so bound and close together that you will not hesitate to declare that all these things must have been the result of the work, not of men, but of angels."

That was Gerald of Wales in the late 12th century, marvelling at the virtuosity of an early illuminated gospel he had seen at Kildare. If you take the trouble to penetrate to the secrets of Room 28 in the British Museum, you will find that his appraisal is as appropriate to the elaborate metalwork that evolved hand in hand with Celtic manuscript illumination. It will be impossible not to share his wonder, not least because these vigorous and often extravagant brooches and buckles, chalices and shrines are products of the so-called Dark Ages.

Gleaming, centre-stage is the 8th century paten and chalice discovered in 1980 on the monastic site of Derrynaflan in Co. Tipperary. The sumptuous paten, or plate for communion bread in particular, represents the exact antithesis of the meagre barbarity we are led to expect of this dim and distant period.

Its hammered silver plate is fixed to a complex double-walled hoop which provides the means to display exuberant and technically astonishing panels of die-stamped gold around the rim and panels of granulated gold filigree work around the side to be seen. The 24 panels bear different designs of interlacing beasts and birds, spirals and trumpets. Equally intricate gold studs carry a variety of coloured enamel inlays.

The Derrynaflan hoard – the paten, stand, chalice, strainer-ladle and the copper basin which covered them when they were buried out of the grasp of the Viking marauders – is both the centrepiece and the *raison d'être* of this show. The treasures were all restored by the British Museum conservation department for the National Museum of Ireland, and in return they have been sent back to London for exhibition.

Around them are the masterpieces of Celtic metalwork of the 6th to the 9th centuries – not just from Ireland, but from the Pictish Scotland and Anglo-Saxon England. (There is a dearth of material from Wales which appears to have been impoverished throughout the period.) Loans have been gathered principally from collections in Dublin and Edinburgh but also from Scandinavia – thanks to the Vikings – and Italy, a tribute to the missionary zeal of the Irish monks.

The only major pieces absent are the Ardagh chalice and the Tara brooch, too frail to travel but represented here by copies. It is probably our only opportunity to see these objects side by side, and attempt to unravel the complexities of the cross-fertilisation of patterns in this eclectic international "insular" style.

If the two most remarkable features of Celtic metalwork are the vigour of design and the high level of craftsmanship, the third is its indication of the opulence of the aristocracy. Witness the lavish gilt harness mounts, buckles and belt-shrines, scabbard chapes, ornamental buckets, silver bowls with animal *friezes*, and the odd copper door knocker of a beastie baring his fangs.

Most spectacular of all are the magnificent silver and gold brooches and pins. These elaborate dress fasteners were worn by men at the shoulder and by women on the breast. As the 7th century progressed, their conception became bolder and the decoration more various, with insets in amber or millefiori glass. This aspect of the Celtic goldsmith's art reached its zenith in the Irish or Irish-type Hunterston brooch illustrated here.

Such is the desirability of these brooches – and of the massive and pleasingly simple Pictish silver bangles and chains – that I wonder why more contemporary jewellers don't follow the lead of William Burges or Breon O'Casey and look to the triumphant achievements of the these craftsmen, be they angels, monks or lesser mortals.

The Work of Angels is supported by the Irish Government and Aer Lingus, and continues at the British Museum until April 29, 1990.

Susan Moore

The Love for Three Oranges

COLISEUM

Reviews composed in large part of overheated superlatives can make wearisome reading, but occasionally the pressing need for one outweighs all other considerations. English National Opera's new Prokofiev production is just such an occasion: a feast of hilarity, a joy and a delight, a production of unrepeatable originality of style which strikes with deadly precision at the centre of Prokofiev's modernist comic fantasy. There is no more exhilarating musical entertainment in town at the moment, and already the familiar glooms of the approaching festive season hang less heavy for its arrival.

This Richard Jones staging of *The Love for Three Oranges*, in sensational sets by the Brothers Quay and costumes of madcap brilliance by Sue Blane, is a co-production with Opera North – it was first shown in Leeds last September, and praised on this page by David Murray. In the Coliseum the polish and the deftness of the stagecraft have not been lost, since the ENO company (chorus and extras quite as much as principals) and ENO orchestra under David Atherton (a master Prokofiev conductor) take it on with enormous exuberance – it looks to be a production quite *as pleasurable to set in motion as to listen to and watch.*

"All I tried to do," Prokofiev said of his adaptation of Gozzi, "*was to write an amusing opera.*" At Glyndebourne some years ago the facetiousness of Frank Corsaro's production tricks and the over-elaborated cuteness of Maurice Sendak's sets and costumes severely reduced the amusement quotient, and raised unwelcome doubts about the quality of the whole work. Here, because Jones has divined the exact combination of artifice, *commedia dell'arte* naivety and zany comedy, its "modern-classic" status is unarguably renewed.

The fun comes so thick and fast that the spectator may be forgiven for not noticing how carefully blended, how erudite, is the Jones mixture, how nicely judged to the work in hand. This is, after all, a 20th-century meeting-point of Gozzi, Busoni's theories of the theatre as "magic mirror," and Meyerhold's revolutionary artistic ideals and enthusiasms – a magic-lantern show inlaid with elements of grotesquerie, alienation *avant la lettre*, and pure farce.

The English identity of the production is asserted in the touches of Victorian Gothic surrealistically splayed, of deadpan eccentricity out of a Glen Baxter cartoon, of Python-esque sight-gags and *sleights-of-hand, and of rude* jokes (endlessly repeated, and sidesplitting every time) that come bearing the most ancient music-hall pedigree. The massively wind-breaking Farfarello seems almost like an old friend, and the scratch-'n-smell cards revive an audience-involvement device of honourable lineage.

But alongside all this there are graceful tributes to the Venetian theatrical sources of the libretto, to Russian Revolutionary art, to the lyrical glitter and motor-driven energy of Prokofiev's score. In style and pace, in gesture and detail right down to the marvellous use of footlights (a Jones thumbprint), this is an opera-comedy production that taps the essential magic of music-theatre, that sets new standards.

The stage is a feast of expertly judged comic acting, with no exaggeration allowed, no look-what-fun-we're-having semaphores to the audience. The ENO's resident comic genius, Bonaventura Bottone (Truffaldino), was said before curtain-rise to be unwell but nevertheless turned in another of his inimitably daffy characterisations, matched every inch of the way by Donald Maxwell (Leander), Fiona Kimm (Smeraldina in a St Trinian's gymslip), Christopher Booth-Jones (a Pantaloon making much of very little), Phillip Guy-Bromley (Farfarello, ditto), and the glorious Anne Collins (Clarissa).

The giant cook, Richard Angas in drag and on stilts, becomes here an oddly poetic creation, as does Peter Rose's King of Clubs. As the Prince, Alan Woodrow manages the sickhed routines capably enough but phrases with foursquare solidity in the little desert love-scene – Lesley Garrett's Princess Ninetta is much more inside the musical idiom here. Also not yet entirely on the right lines is the Fata Morgana of Jane Eaglen, a bossy-boots clumping about the stage – the tone gleams, and the attack is steely-bright, but words are inaudible, and punch-line bits of business seem ever so slightly mistimed.

Max Loppert

Philip Guy-Bromley, Alan Woodrow and Bonaventura Bottone

Lucia di Lammermoor

DOMINION THEATRE

There was one outstanding contribution to this evening. The Welsh National Opera is fortunate to have secured the services of a Musical Director as experienced as Charles Mackerras. As we had many happy years to discover during his tenure of the same post at the London Coliseum, Mackerras is adept at operas of all periods and can dominate even a Donizetti work, where one might not usually expect the conductor to assume a high profile.

Without him, this second offering in WNO's week-long London season might have been a gloomy affair. The company's production of *Lucia di Lammermoor*, originally staged by William Gaskill in 1986, had here been revived to far greater purpose by Rennie Wright. But it is still difficult to rouse any feeling of enthusiasm for a setting that relocates Sir Walter Scott's romantic Scottish tragedy in a rocky lunar landscape equipped only with a pair of sliding walls and a drinks trolley.

When a production is visually so depressing, it is that much harder for the performance to catch light. That this WNO evening did so time and again was thanks almost entirely to the keen dramatic sense of Mackerras in the pit. The text of the opera had been thoroughly reconsidered and the score was given absolutely complete; but it is this conductor's ability to drive to the heart of an opera that fired the whole performance with theatrical excitement.

There was never any doubt that the work was to be drama first, vocal display later. In the days when *Lucia di Lammermoor* was regarded as the opportunity for a soprano to show off vocal fireworks it is doubtful that Frances Ginzer would have made a suitably dazzling success of the title-role. (She is an agile lyric, rather than a coloratura soprano.) But from her first aria, where she was not merely singing but urgently telling a story, this was a compelling portrayal.

Alastair Miles was a fine Raimondo and Mark Holland a cleanly-sung Enrico, though the difficult acoustics of this theatre really demand more power. Noel Espiritu Velasco's Edgardo swept on to the stage with flailing arms and a big, black cape, as though he was an escapee from some nearby House of Hammer, and gave body and soul to his singing with somewhat exhausting results. By the end this was, nevertheless, a performance that added up to more than the sum of its parts.

Richard Fairman

More Haydn

QUEEN ELIZABETH HALL

As all music-lovers must be aware, we are in the middle of a festival of late Haydn, with Sir William Glock as artistic director. Last night the Orchestra of the Age of Enlightenment gave their final performance – extravagantly successful (and sponsored by an anonymous benefactor) – in the portion of the series devoted to Haydn's masses and oratorios; in January there will be a survey of his late chamber music, performed by the Domus piano trio and the Britten and Endellion Quartets with various soloists.

The oratorio *The Seasons* proceeds through the rural calendar from the point where winter ends, but nothing else sounded premature in this performance. Not even the solo soprano role, for which Anne Dawson stepped in to replace an ailing colleague: obviously Miss Dawson knows the part very well, and her bright, vernal tone was an asset throughout.

Her diction was creditable too, if not as superlatively clear as Anthony Rolfe Johnson's; this tenor is now enjoying a splendid prime. His labours as Monteverdi's Ulysses at the ENO seem if anything to have sharpened the virile edge of his tenor, without any loss of its melting, individual timbre.

The remaining soloist was the bass Benjamin Luxon, avuncular and bonhomous as the music implies. Mark Elder conducted with verve and style (*The Seasons* can seem to take a long time: not here, despite the real length of the work). The period instruments of the band made nothing noticeably quainter of Haydn's pictorial effects than modern instruments do, but the overall sound was lithe and handsomely articulate.

This was the British première of a new English translation by Pyatt and Pyle; mostly it sang well, but some false accentuations in the recitatives need re-doing. Otherwise, we had a very happy and bracing account of everything in this delectable score.

David Murray

Chamber Orchestra of Europe

BARBICAN HALL

The four orchestral concerts in the Chamber Orchestra of Europe's series at the Barbican have been shared between two conductors – Sandor Vegh took charge of the opening pair, and the orchestra's artistic adviser Claudio Abbado the remaining two. The series ended last night with both Abbado and the COE on their most sparkling form in a programme of Rossini and Ravel.

With the overture to *La gazza ladra* to open and the addition of the *Cenerentola* overture as an encore, Rossini framed the evening in the most positive way. With a band as readily responsive as this, capable of such deft articulation and tonal nuances, Abbado conducts the overtures with quite dazzling control, buoying up each melody with a mixture of nudges and winking rubatos, building the crescendos without any sense of machine-like automation. In his hands they become pliable,fresh and witty.

And under Martha Argerich's fingers the Ravel G major Concerto takes on the same set of adjectives; only Michelangeli's very different account rivals hers in this concerto, and one doubts that any two of her performances are alike. Here the slow movement was a slightly mysterious, curiously wayward construction, not as limpid as one would expect, but flecked with half-lights and expressive asides; the first movement was a series of ever more propulsive explosions, the finale a typical Argerich adventure, full of miraculous sleights of hand and foot, and accompanied by Abbado with a remarkable instinct for the placing of each downbeat.

He then unfolded the complete *Mother Goose* ballet with perfectly judged pacing and textures. With an orchestra as commanding as this – and really the COE can now have few rivals among the world's chamber orchestras – such a score might seem to play itself, but Abbado interlocked its movements with constant care, and saw to it that no detail were allowed to go begging.

Andrew Clements

ARTS GUIDE

December 8-14

MUSIC

London

London Concert Orchestra conducted by Philip Simms, with Judith Howarth (soprano) and the Thomas Tallis Choir performs Bach, Handel and Mozart in a Christmas concert (Sat). Barbican Centre (01-638 8891).
London Symphony Orchestra conducted by Leonard Bernstein performs excerpts from Candide, with Jerry Hadley and June Anderson (Tue and Wed). Barbican Centre (01-638 8891).
National Westminster Choir with the National Westminster Choir conducted by Ian Humphris, with Juliet Booth and Alan Opie, performing Mendelssohn, Dvorak and Smetana (Thur). Barbican Centre (01-638 8891).

Paris

Orchestre Colonne conducted by Philippe Entremont, Michel Legrand, with Michel Legrand (Mon). Théâtre des Champs Elysées (47209637).
Jean-Bernard Pommier, piano. Beethoven, Franck, Chopin (Tue). Salle Gaveau (45632030).
Paul Badura-Skoda, piano. Schubert, Schumann, Chopin, Brahms (Thur). Salle Gaveau (45632030).

Amsterdam

Royal Concertgebouw Orchestra conducted by Charles Dutoit, with choirs and soloists. Messiaen, Ravel (Sat). Concertgebouw (718 345).
Netherlands Philharmonic Orchestra conducted by Hartmut Haenchen. Mahler (Mon, Tues). Concertgebouw (718 345).

Utrecht

Royal Concertgebouw Orchestra conducted by Charles Dutoit, with choirs and soloists. Messiaen, Ravel (Sun). Beurs (27 04 66).

Brussels

RTBF Symphony Orchestra conducted by Vit Micka, with Jindra Kramperova (piano). Dvorak, Eben, Micka and Weber. Maison de la Radio (Fri).

Vienna

Kuchl Quartett. Beethoven, Leitermayer, Brahms. Musikverein (Fri, Mon).
Wiener Philharmoniker conducted by Christoph von Dohanyi. Lutoslawski, Richard Strauss, Berlioz. Musikverein (Sat, Sun).

Milan

Cecile Ousset paino recital. Beethoven, Liszt, Ravel and Rachmaninov (Wed). Conservatorio G. Verdi (76001755).

Rome

Scottish Chamber Orchestra playing Elgar, Kodaly, Mozart and Mendelssohn with Barry Tuckwell as conductor and solo trumpet (Fri); also conducted by Yuri Ahronovitch in Poulenc, Shostakovich and Goldmark's (Sat, Sun, Mon, Tues). Auditorium in Via Della Conciliazione (6541044).

Frankfurt

Frankfurt Opera and Museum Orchestra conducted by Yakov Kreizberg with the piano duo Katia and Marielle Labeque play works by Hartmann, Mozart and Dvorak (Sun). Alte Oper.

Cologne

Gidon Kremer (violin) and Valery Afanassiev (piano). Schubert, Henze (Fri). Philharmonie.
Opera Gala with the Bolschoi Theatre and the Kirow Theatre (Leningrad). Arias from *Boris Godunov, Eugen Onegin, Turandot, Aida* and *La Traviata* (Thur). Philharmonie.

Madrid

Spanish National Orchestra conducted by Eliahu Inbal, with Emile Naoumoff (piano). Tchaikovsky, Stravinsky (Fri, Sat, Sun). Auditorio Nacional de Musica (337 01 00).
Belgrade RTV Symphony Orchestra conducted by Vladimir Kranjcevich. J.S.Bach (Wed). Auditorio Nacional de Musica (337 01 00).

Barcelona

English Chamber Orchestra conducted by Jacques Delacote, with Agnes Baltsa (mezzo-soprano). Rossini, Mascagni, Donizetti (Wed). Palacio de la Musica Catalana (301 11 04).
Daniel Barenboim (piano). Bach programme (Thur). Palacio dela Musica Catalana (301 11 04).

New York

Musica Sacra conducted by Richard Westenburg. Handel (Mon). Avery Fisher Hall (874 6770).
New York Philharmonic conducted by Giuseppe Sinopoli, with Gil Shaham (violin). Mussorgsky, Paganini, Schumann (Tue); and conducted by Zubin Mehta, with Gerry Mulligan and the Mulligan Quartet. Beethoven, Mulligan (Thur). Avery Fisher Hall (874 6770).
Isaac Stern (violin), Yo Yo Ma (cello), Emanuel Ax (piano). Brahms (Mon). Carnegie Hall (247 7800).

Washington

Jerome Rose piano recital with Phyllis Bryn-Julson (soprano) and Theodora Hanslowe (mezzo-soprano). Chopin programme (Tue). Kennedy Center Terrace Theater.

Chicago

Chicago Symphony Orchestra conducted by Leonard Slatkin, with the Chicago Symphony Chorus. Stravinsky (Thur). Orchestra Hall (435 6666).

Tokyo

Ensemble Wien-Berlin. Reicha, Ibert, Danzi, Bozza, Francaix. Suntory Hall (Mon) (289 9999).
Boston Symphony Orchestra conducted by Seiji Ozawa. Mahler. Tokyo Bunka Kaikan (Mon). And with Anne Sophie Mutter (violin). Suntory Hall (Tues). Strauss. Bunkamura, Orchard Hall (Thurs) (289 9999).
Takacs String Quartet. Mozart, Bartok. Casals Hall (Wed) (403 8011).
Japan Philharmonic Orchestra conducted by Ken'ichiro Kobayashi. Beethoven's 9th symphony. Suntory Hall (Thur) (234 5911).

SALEROOM

Faun comes in from the cold

For months Sotheby's has been singing the praises of a bronze figure of a dancing faun by the Dutch born Mannerist sculptor Adrien de Vries. It had been brought into its Billingshurst saleroom with a group of 19th and 20th century garden statuary and was down to be sold there.

Then Sotheby's London expert Liz Wilson saw its photograph in the catalogue; felt a tingle; and asked to study it more closely. She identified it as the work of this rare master, dated it to around 1610 when he was working in Prague, and saw her expertise handsomely rewarded when it sold yesterday for £6.82m, a record for any sculpture, antique, Renaissance or modern, and way ahead of the top estimate of £1.5m.

It was bought by the London dealer Cyril Humphris who commented "in my 35 years of dealing this is the greatest sculpture to come on to the market. I think de Vries was the greatest sculptor of his time," a sweeping statement for an era which also included Giambologna, who taught de Vries in Florence in the 1580s. By coincidence, Christie's on Tuesday sold a Giambologna bronze for £2.75m, at the time a record for a Renaissance bronze.

Given the price paid by Humphris, who beat off a telephone challenger, he must have a buyer in mind. An ancient marble of a dancing faun, now in the Uffizi in Florence, was excavated in the 16th century and was probably known to de Vries, whose version is a free interpretation.

A slightly later (1630s) Florentine bronze of David with the head of Goliath by Gianfrancesco sold for £286,000 and an unusual North Italian bronze oil lamp in the shape of an acrobat, probably made in Mantua around 1500 sold for £187,000. Leicester Museum paid £4,400 for a recently excavated seal of the 15th century which belonged to the prebend of St Margaret's Leicester.

Among the illustrated books at Sotheby's a copy of Redouté's "Choix des plus belles fleurs," 1827-33, sold for £74,800; Brookshaw's "Pomona Britannica" for £68,200; and Gardiel's early 18th century French herbal for £49,500.

Christie's had a good auction of French furniture which totalled £1,528,736 with less than 4 per cent unsold. A pair of Louis XIV ormolu mounted, marquetry and ebony armoires, in the style of Boulle, doubled their estimate at £170,500, while a pair of Empire ormolu and bronzed candelabra in the shape of Egyptian figures, quadrupled their estimate at £115,500.

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How to move towards Emu

WHEN THE heads of government of the European Community foregather in Strasbourg this weekend, they will have at the top of their agenda a proposal from Mr Mitterrand to call an inter-governmental conference on economic and monetary union. There will be much huffing from Mrs Thatcher about the principle and much puffing from Mr Kohl about the timing, but the likelihood is that the leaders will agree to call such a conference.

Emu has been presented as a way of strengthening the EC, not least politically. It is also presented as a way of diluting German domination of EC monetary arrangements. Yet it seems inconceivable that West Germany could be bound more tightly within the EC by a monetary arrangement that does not deliver at least as good a performance as the Bundesbank-dominated EMS.

Not that the desire to loosen Bundesbank control is surprising. In the absence of exchange controls (most of which are to disappear altogether by July 1 1991), large realignments will become infeasible, the reason being that the cost of resisting an anticipated adjustment would be huge. For this reason any realignment would have to be a surprise. Such a surprise would be difficult to pull off the second time and impossible by the fourth or fifth. In effect, currencies will either have to become fixed altogether or be adjusted more frequently within the existing bands.

Public good

For reasons indicated in the British Treasury's paper on currency competition, an EMS without exchange controls means even more of a D-mark standard than at present. This would be no bad outcome. Economic and monetary union is not an end in itself; it is a means to the ends of the citizens of the EC. The aim is to provide the public good of monetary stability, which allows individuals and businesses to pursue their private interests successfully. Competing currencies, disciplined by the obligation to fix exchange rates against an anchor like the D-mark, are likely to serve this purpose rather well.

The fear is that a monetary monopoly, however well-intentioned, will not do as good a job as institutions disciplined by competition. This is no purely theoretical fear. The history of politically managed monetary monopolies has been lamentable. If there is a political imperative for EC institutions to assume the responsibility for monetary stability, then they must be so organised as to do at least as good a job as would an unamended EMS.

Necessary conditions

How then is the EC to obtain a common money that is also good money? There are three necessary conditions: the first is that the European System of Central Banks should be independent; the second is that it should be judged solely on its ability to deliver price stability; and the third is that there should be no possibility of re-introducing exchange controls, except in a condition of manifest crisis, preferably by unanimous agreement of the Council of Ministers. Of these the last may be the most important, since in the absence of exchange controls the new European money would remain subject to the competition of the dollar, the yen or, better still, the Swiss franc.

For its part, the British Treasury has put forward a proposal that would avoid the risks of a monetary monopoly altogether. It amounts to "EMS plus," the plus being enhanced opportunity for monetary competition. As a way of reaching a union, the plan has much to recommend it. It could lead naturally to fixed exchange rates over a transition period.

None the less, it has little chance of being taken seriously. Mrs Thatcher is not noted for her sense of the ridiculous. Yet even she may find the idea of stoutly advocating the virtues of the EMS to its longest standing and most enthusiastic supporters too ludicrous to contemplate. If the UK is not within the exchange rate mechanism by the time of an inter-governmental conference, it will only have itself to blame if the outcome is just the bureaucratic, over-interventionist monetary and economic arrangements that it now fears.

Japanese cars in the EC

THE EUROPEAN Community is getting into a deep muddle over how to treat Japanese car sales after 1992. Unless it thinks the issues through much more clearly, it risks taking decisions which will damage Europe's economy and the health of its motor manufacturers, while handing a gift to the Japanese industry.

The starting-point of the EC's deliberations is the national limits on Japanese car imports in force in Britain, France, Italy, Portugal and Spain. The European Commission has concluded that these will have to be eliminated by 1992, since they are inconsistent with plans for a single European market. The argument centres on what, if anything, should replace them.

The commission agreed this week on a proposal to negotiate with Japan an EC-wide voluntary restraint arrangement (VRA) as a "transitional" step on the way to a completely open market. Exactly how such restraints would work, their duration and the level of import ceilings have not been spelled out. Nor has Brussels specified how it proposes to treat cars assembled at Japanese plants in the EC, though it has rejected on legal grounds French and Italian demands that they be counted as European products only if they meet a mandatory local content requirement. Apparently unable to resolve these issues, the commission has tossed them into the lap of the Council of Ministers.

Import quotas

The Council needs to think hard about its objectives. Quite apart from the widely-observed tendency of temporary VRAs to become permanent import quotas, they would almost certainly benefit Japanese exporters as much as – if not, indeed, more than – European carmakers. In the US, where Japanese car imports have been subject to VRAs since the early 1980s, they have allowed Japanese manufacturers to fatten their margins substantially at the expense of American consumers. VRAs also induce Japanese companies to concentrate on exporting top-of-the-range models, on which they make more money than on volume cars. Hence, BMW, Mercedes-Benz and Jaguar would be likely to pay the price for any relief provided to Fiat or Renault.

Even that relief would probably be short-lived, since it is hard to see how the EC could legally prevent Japanese manufacturers from boosting production at European plants. Nissan is already assembling cars in the UK, and Honda and Toyota also plan to build plants there. Transitional import restraints would also enable Japanese companies to establish distribution and service networks in currently protected EC markets in a much more orderly manner than if national restrictions were lifted immediately.

Increased protection

The biggest mistake the EC could make would be to seek restraints which limited Japanese carmakers rigidly to their current 9.5 per cent share of the Community market. That would greatly increase protection of EC carmakers. At present, the anti-competitive effects of import restrictions in countries such as France are offset by the impact of Japanese plants in open markets such as West Germany. As a consequence, German manufacturers are obliged to price exports to France at the same level as in their home market, where they face the disciplines of Japanese competition. For German companies to do otherwise would expose them to under-cutting by parallel imports.

A tight Community-wide VRA would remove these disciplines and enable European carmakers to raise prices with impunity. That would amount to sanctioning an EC motor industry cartel, whose members would have little incentive to take the tough actions needed to raise their efficiency and competitiveness to world-class standards.

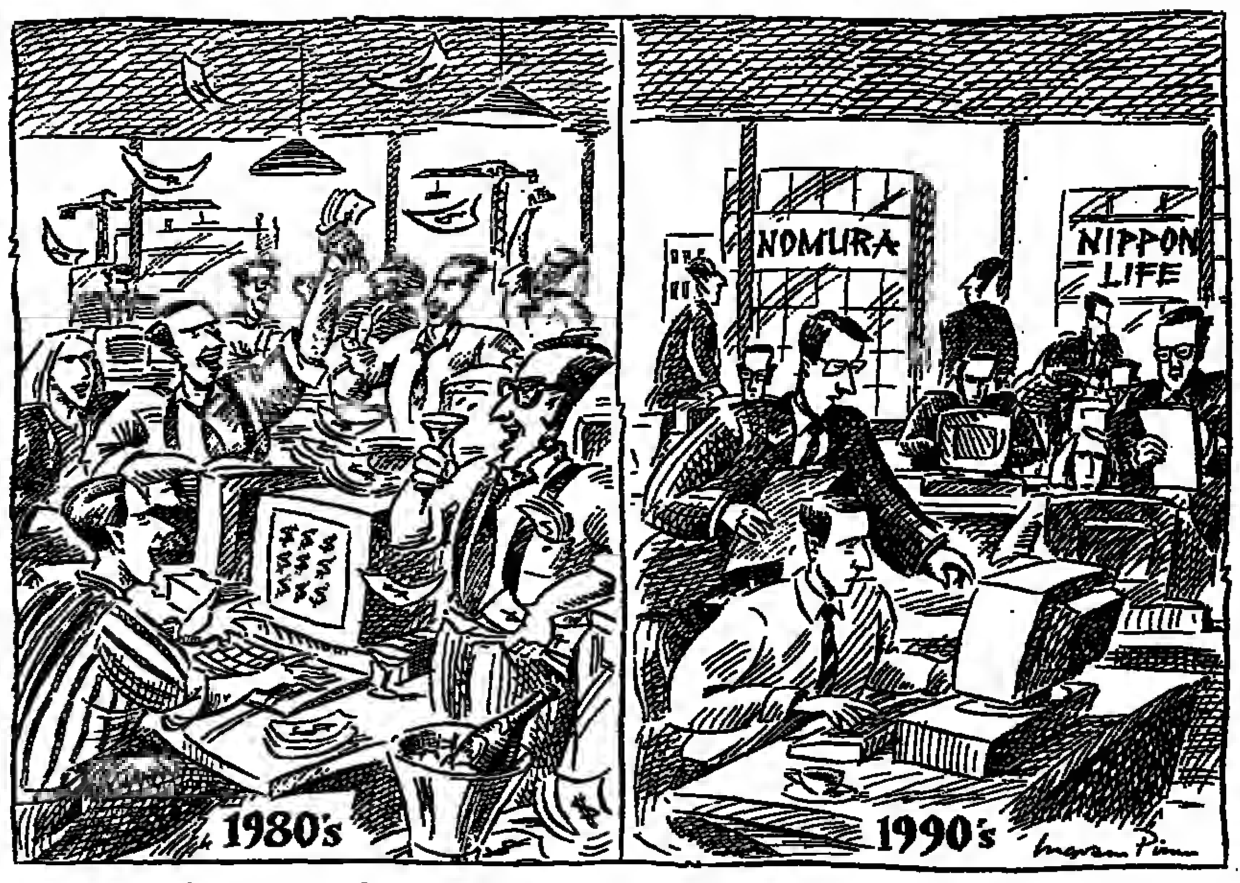
Much the best course for the Community is to take no action on Japanese car imports and to concentrate on removing all its internal trade barriers by 1992. Purely national restrictions on imports from outside the EC would then become unenforceable, because they could be evaded by transshipments from elsewhere in the single market.

Stephen Fidler opens a series on international capital markets in the 1990s

A tightrope for the regulators

All of a sudden, in investment houses all over Wall Street, the erstwhile Bond Bores were making so much money they took to congregating after work in a bar on Hanover Square called Harry's, to tell war stories . . . and assure one another this was not dumb luck but, rather, a surge of collective talent.
Tom Wolfe, The Bonfire of the Vanities

While most of America imagined that Wall Street meant the stock market, our bond market was setting the tone and the pace on Wall Street in the 1980s . . . I once walked through (the bond trading floor) when the firm was attempting to sell the bonds of the drugstore chain Revco, which later went bankrupt and defaulted on those very bonds. The voice boomed out of the box: "C'mon people, we're not selling truth."
Michael Lewis, Liar's Poker



The first of these accounts is on the face of it from a work of fiction; the second ostensibly fact. Together they epitomise the financial permissiveness and speculative excess of the 1980s, the reaction against which is likely to dominate the international capital markets in the coming decade.

The 1980s has seen an unprecedented expansion in corporate debt, mainly in the US. Mr Christopher Baldwin of the credit rating agency, Moody's, outlined at a conference in New York this week an important legacy of this explosion. This year, even as interest rates have fallen and before the US has entered into a recognised economic downturn, defaults on corporate bond issues *have reached a high for the decade*. In the early 1990s, default rates, he predicted, would rise even higher. The reason: five years of corporate restructuring which added $900bn in debt to US corporate balance sheets and removed $465bn of equity.

Behind this is Wall Street's creation of the 1980s, the junk bond market. Led by Drexel Burnham Lambert, the "high yield" market in the bonds of risky companies grew from nowhere to $200bn in a decade. Untrammelled by regulation and prone to manipulation, the market financed a raft of leveraged buy-outs (LBOs) – takeovers financed by large amounts of debt. Its pace of growth, the underlying US economic expansion and high-pressure salesmanship meant investors were blinded to the likely incidence of default.

Mr Barrie Wigmore, a limited partner at Goldman Sachs, showed recently that LBOs were being carried out with progressively higher ratios of debt: as time went by, the junk bond market got junkier. He also concluded that unless default estimates include the years when bond principal repayments fall due – for many 1980s LBOs, this is nearly 10 years from now – they will underestimate the risks attached to the bonds.

The junk bond market carved out a new US corporate landscape which may turn out, when the dust has settled, to be a desert. It will leave one expanding business on Wall Street: salvaging insolvent companies.

The reaction, legislative, regulatory and economic, to the excesses of the 1980s are already being felt. Despite the US's waning economic dominance, its financial markets still retain their pre-eminence. Together with broader developments outlined below, the result is likely to be less tolerance of *laisser faire* in the international financial system. Mr Albert Wojnilower, senior adviser to First Boston in New York, has described the alternative to regulation of the US financial markets as "not deregulation, but nationalisation", a message underlined by the costs (estimated at $200bn-$300bn) of the bail-out of a savings and loan industry deregulated in the early 1980s. This illustrates a growing view that the financial market place should be seen as a public utility: users, left to their own devices, consistently underestimate its value.

On top of that, international financial businesses are getting worried about their image, a sign that they believe that if they do not clean up their own act, it will be done for them. In a survey published last month by the management consultancy arm of KPMG, chief executives of 50 international financial institutions – admitted to growing concern over ethics.

"Ethics and morality have emerged as posing a real challenge to the chief executive officers of banks and in a different way to those of securities houses," the survey concluded. It added that society is expected to demand evidence of "financial institutions and their well-paid staff performing a real economic role."

Just as the Third World lending boom of the 1970s brought about a new capital regime for banks in the 1980s, so the permissiveness of the 1980s is leading the authorities to attempt to improve the policing of the securities markets. This will aim to ensure that those doing investment business are adequately capitalised, that public market places are transparent and that the small investor is not duped. Closer international scrutiny of investment banks will follow that already in place for commercial banks. The growth of swaps and other derivatives markets, and the likely expansion of screen-based trading mean that the scrutiny will have to stretch across traditional divisions and be international in scope.

Regulators will have to walk a tightrope for fear of what is called regulatory arbitrage – the shifting of financial activity to the regime where official interference is least. Too much of it may further a trend which is already reducing the significance of the public financial markets: the growth of private placements among professional investors.

As this occurs, another development suggests more rather than less official involvement in the international capital markets: further growth in Japanese financial power to catch up with the country's economic influence. The sensitivity of the world's financial markets to events in Japan has never been higher. The explosive growth of Japanese stock markets in recent years means they now account for 45 per cent of all the world's equity markets.

Japan's asset price inflation has started to be exported to the rest of the world. The rising stock market has allowed its companies to raise fresh capital cheaply; they have used it to buy real estate in New York, London and elsewhere, so pushing up prices. Its banks have helped to finance leveraged takeovers leading to a broad inflation of share prices. When in October, Japanese banks boycotted a financing for an over-ambitious US leveraged buy-out for the airline, UAL, a shudder ran through Wall Street: share prices dropped 7 per cent in a day.

The influence of Japan's Ministry of Finance on Japanese banks, securities houses and investment institutions is well known. As these businesses expand their global reach, the ministry's influence is likely to expand in line. Tokyo sees global financial stability as being in Japanese interests, and is keen to avoid xenophobia and a backlash of protectionism against Japanese goods, particularly from the US. As the Finance Ministry continues and intensifies its efforts to prevent the growing power of Japanese capital from destabilising other markets, so the world's capital markets will, in a way, become more Japanese.

Although Japanese banks played a part in bringing about the Wall Street fright of last October, official Japanese intervention ensured it was a Friday the 13th with a happy ending.

By persuading securities firms and institutional investors not to sell heavily in the Tokyo market, the Japanese authorities were able to prevent a worldwide downward spiral of stock prices. By making it clear that heavy selling of the dollar would be strongly countered, they helped to avoid a destabilising drop in the US currency.

The events of October also underline that the attitudes of Japan's Finance Ministry towards the role of government in financial markets are, by default, becoming more important. If in the long-term, everyone still accepts that there is no bucking of the market, managing it over a succession of short runs can prevent damaging consequences.

If Japanese asset prices continue to rise, the potential for Tokyo to be the source of instability in the world financial system grows. Ironically, as the importance of the Japanese Finance Ministry as an anchor increases, pressure from the US intensifies for a loosening of the official grip over Japan's financial markets. "While Japan has used great discretion in deploying her financial power," says Mr David Hale, chief economist of Kemper Financial Services, a fund management group based in Chicago, "the institutional contrast between America's permissive financial system and Japan's highly disciplined one will be a recurring source of tension in asset markets, in the co-ordination of monetary policy and attempts to manage exchange rates."

He adds: "When one examines the pattern of the worlds capital flows during the 1980s, it soon becomes apparent that the much celebrated globalisation of financial markets is largely a euphemism for Anglo-Saxon financiers and governments selling assets or debt claims to Japan, Germany and Taiwan."

Constrained markets for financial assets in Japan have been encouraging the Japanese to invest overseas in the more open financial systems of the Anglo-Saxon countries. Freeing Japan's markets may thus in the longer term shrink Japan's capital account exports. Other factors, such as the shift of Japanese productive capacity abroad and the growing interest in imported goods among Japanese consumers, suggest the trade surpluses of the 1980s may be unsustainable. If the 1990s are going to be Japan's decade of domination on the international capital markets, by the end of the millenium its global influence could already be in decline.

These themes will be explored in greater detail in further articles to appear on the International Capital Markets page, starting next week.

OTHER TRENDS of the 1990s:

● The growing sophistication of Japanese investors will make them less content with the US Treasury market, and keen to diversify. But they will still want liquidity, placing a premium on markets that can provide it.

● Stock and derivatives exchanges will be *liberated geographically* by a shift to screen trading; they will face heightened competition from Reuters, the clearing houses and the Association of International Bond Dealers.

● Removal of historical market restrictions, particularly in Japan and the US, such as those which have *separated commercial and* investment banking, could lead to the rise of universal banks in these countries. Fixed commissions in Japan, which *have ensured that Tokyo remains* the most profitable securities market for intermediaries, are likely to go. Result: no let up soon in the squeeze on profit margins.

● As regulations tighten, private placement markets – where deals are struck between institutional investors – will grow. New SEC regulations, *expected next month* in the US, will speed this.

● Increased conflict is likely between small shareholders and large *investors, whose use of mechanistic* investments strategies seems likely to increase. This could be heightened by periodic sharp "corrections" such *as the October market collapses.*

● Deregulation – in Europe and in Japan – suggests a threat to the Euromarkets. Japanese-oriented business *in London, particularly* the equity warrants market driven there exclusively by Japanese restrictions, has been subsidising the rest of the Eurobond market for two years.

● *Will the 1990s be a decade of low* returns? A few (mainly European) exceptions apart, the extraordinary returns on many investments during the *1980s seem unlikely to be* repeated in the 1990s. Asset prices have already risen, and a decade of economic growth in most of the main *industrialised economies seems* unlikely to be sustained. In the 1980s, equity holders reaped huge rewards from a tolerance of high corporate debt which is unlikely to continue.

For financial intermediaries, these trends will *not* be good news. One thing is almost sure: there will be *fewer of them 10 years hence.*

OBSERVER

Seldom on Fridays

■ It's Friday, so if you work in the securities industry, you can relax: the chances are that *your business will not* be closed down today.

According to the experts, staff are not often jettisoned at the end of the week. Managers may be tempted – it allows them to head for the weekend cottage with the deed already done and a weight off their shoulders.

But humanitarian concern for the victims generally prevails. After a weekend brooding, they tend to be so demoralised by Monday morning *they find it* impossible to take on the world afresh.

"We have a rule – we won't take on a *job on a* Friday," says John Hall of Peat Marwick McLintock. As a "career counselling consultant" (*the* job was called "outplacement" until that particular euphemism lost favour), Hall has *the job of picking up the pieces* of senior executives' shattered careers, and prefers to start work the day after the event.

Which days are better? Not Monday, says Hall: "The adrenalin is low. It's a bit like coming back from holiday." Not a good day for wielding the axe.

So the middle of the week remains the favoured time for putting people out of work. Morgan Grenfell Securities shut on a Tuesday almost exactly a year ago. There are only six more sacking days to Christmas.

Small steps

■ Perhaps one should not criticise London Underground on details when the whole system is close to breaking down completely. But the to-ings and fro-ings at Kensington High Street station are a shambles and could be rectified.

It is one of those stations where entry to and exit from the platform are by the same staircase. Although the station serves both the district and circle lines, it was just about *tolerable in* the days *when* Kensington High Street was a sleepy sort of place – devoid of tourists and office-workers. The station, and indeed the street, are now a scrum.

There must a means of devising a way out and another way in. Otherwise, there might be a riot.

Morgen, Morgan

■ Staff at Morgan Grenfell, shortly to be taken over by the Deutsche Bank, are already wearying of being greeted with "Guten Morgan".

Crocs strike

■ All is not well in the Ivory Coast, where President Felix *Houphouet-Boigny's pet croco*diles have disgraced themselves. They have eaten a ten-year-old boy. Six of the beasts, traditionally regarded as a symbol of power, lounge in the moat around the President's palace in his home-village-turned-capital of Yamoussoukro. The youth fell into the moat when attempting to balance on the railings in response to a dare from his schoolmates.

In a country where superstition is rife, the significance of the episode is being hotly debated. One theory involves the octogenarian President's favourite project at Yamoussoukro – the $130m marble *and concrete basilica he has* built as a gift for the Pope.

Within days of the boy's demise, rumours spread that the Holy Father, thought to be highly embarrassed by the presidential folly, has declined an invitation to consecrate the basilica when he visits the region in January. The crocodiles, piqued by the snubbing of their master, became angry – so the theory goes – and decided to pick out a Christian *as their victim. The boy was* on his way back from church.

"It's baked Alaska – it's meant to have cold spots."

Slow boats

■ Last week it was the Cayzer family returning to ship-owning. Now the Inverforths, another of the UK's aristocratic shipping families, are going back into the deep sea passenger business after a gap of five years.

Unlike the Cayzers, who once ran the Union Castle steamers to South Africa and now plan to acquire a stake in the Isle of Wight ferry service, the Inverforths have never left the industry. Ennobled by George V, they have operated British merchant ships since the Scottish entrepreneur, Andrew Weir, acquired his first ship in 1885, even though his 22-year-old namesake, the present Lord Inverforth, prefers medicine to shipping.

The family's privately-owned Andrew Weir Group, which also has insurance, engineer*ing and other interests, still* owns 10 cargo ships, some of which carry passengers on routes to the Baltic under the *Finanglia Ferries name. The* group is looking at plans to carry eight paying customers on each of its four Bank Line *container ships sailing* to the South Pacific via Central America. Bank Line, founded in 1905, is one of the most famous names left in British shipping, although it operates rather fewer ships than in its heyday.

Holger Castenskiold, who manages the group's shipping division, says the accommodation will be comfortable rather than luxurious at about £50 a day. But don't book if you are in a hurry: the round trip takes five months. The main targets are pensioners and middle-aged couples taking the "trip of a lifetime."

Tokyo tops

■ Sony's purchase of Columbia Pictures in September raised the now famous plaint from Americans that Japan had bought a piece of America's soul. An enterprising Japanese magazine has polled a few Japanese on what companies they would be shocked to see pass into US ownership.

The results suggest that people are still more worried about jobs than culture. People in their 50s felt especially attached to Nippon Steel and NTT, while people in their 20s valued Toyota and Mitsui. People of all ages would protect Matsushita, the giant, if rather dull, consumer and industrial electronics group known mainly by its Panasonic, National and Technics brands.

Dirty work

■ Now that the season of road gritting is with us the graffitists are again pursuing their art in the grime on the back of lorries. Spotted on the rear of a slow moving van yesterday was: "Please pass, driver on overtime."

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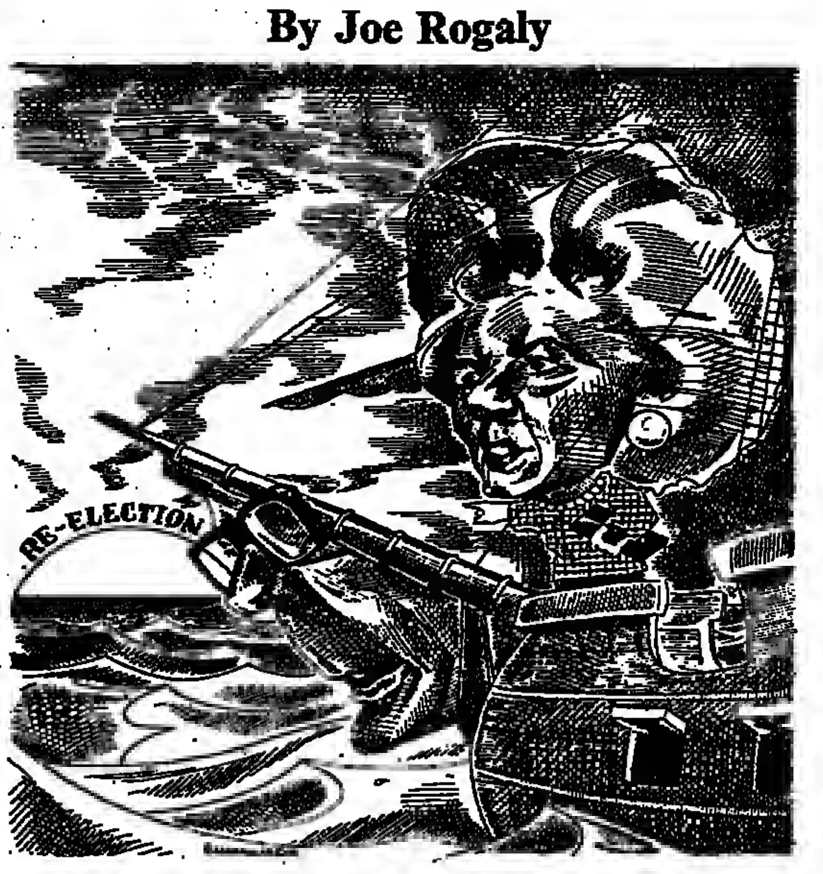
POLITICS TODAY

Probation in 1990

By Joe Rogaly



The folly of the British system of elective dictatorship will be illustrated once again this weekend, as the 12 heads of government of the European Community meet in Strasbourg and one of them – only one – will be in a position to let her unique political instincts decide what she does, regardless of whether or not these represent the considered view of her Cabinet, her Parliamentary colleagues, the members of her party, or the electorate. If she is right, Britain benefits; if not, not.

I do not blame Mrs Margaret Thatcher for this. She is merely using the power of the Prime Ministership as she finds it. Some will say that she is doing so to a greater extent than did her predecessors, but that is a judgment that not all historians of No 10 Downing Street share. (As to one possible future, the only assurance that those close to her putative Labour successor, Mr Neil Kinnock, can offer is that if the occupant of the supreme post is a man of goodwill – i.e. Mr Kinnock – the elective dictatorship will be benevolent). The undisputed difference in Mrs Thatcher's case is that since she came to office in May 1979 she has combined the force of her own strong personal conviction – some may call it wilfulness – with the opportunities open to any British Prime Minister.

It has therefore become more difficult than ever to get her to discuss proposals she knows she will not favour. The full Cabinet has not formally debated the proposition that Britain should join the exchange rate mechanism of the European Monetary System, or, now that it is committed to joining, the important question of when it should do so. Getting such an item on the agenda after all that has happened would require the combined

The post of British Prime Minister must be especially exhilarating at the moment

force of several courageous ministers, plus a willing secretariat – and there are those who doubt whether even in that circumstance it could be done against Mrs Thatcher's will.

She has accumulated this extraordinary degree of ascendancy over our affairs on the strength of 43.9 per cent of the votes cast in 1979 and a declining share in each subsequent contest – or, if you calculate votes for the Tories as a proportion of the entire electorate, on the strength of the positive vote of a third of those eligible in 1979 and even less popular acclaim since then. There have been Cabinet majorities against her from time to time over the past 10½ years, but she has always been able to appeal over the heads of her appointees to the loyal ranks of Conservatives in the House of Commons. Provided that the Tory MPs are with her, she can hire and fire mere ministers at will, as she showed in the July reshuffle, or survive the resignation of even the most mighty, as she demonstrated when Mr Nigel Lawson resigned as Chancellor.

It is partly for this reason that there was so much interest in this week's challenge to her leadership by Sir Anthony Meyer. It turns out that the assembled Tory MPs constitute one electorate willing to give Mrs Thatcher an overwhelming, 85 per cent, majority. Before Tuesday's poll of 374 MPs, only 60 of whom did not vote for her, it was said that her position would have been untenable if, say, 100 had either abstained, spoiled their papers, or voted Meyer.

There seems to me to be more force to the proposition that only a majority – that is, 188 votes – against her would oblige her to resign. The post of British Prime Minister must be especially exhilarating at the moment, for it places its occupant at the centre table of world affairs at a most exciting time in European history, as the east European former satellites start converting themselves into liberal democracies and the Soviet Union begins to crumble. Who would contemplate abandoning all that, plus the greatest concentration of power of any western head of government, for the sake of a minority of disgruntled MPs, discarded ex-ministers, and no-hopers?

If you are a wholly convinced paid-up Thatcherite in every detail this is all to the good. But what if she is wrong about Europe? There is some comfort in the observation that, in the end, the pragmatic politician in Mrs Thatcher leads her to accept propositions she had hitherto opposed: the abandonment of the nuclear element of the electricity privatisation programme is one recent example. This is not good enough when it comes to the further development of the European Community, on which her tone has become increasingly negative. Britain can only participate fully in the affairs of the region of the globe to which it belongs if it puts forward its own positive proposals and enters into serious, non-obstructive debate on the proposals put by others.

The widespread sense of unease about this is one reason why 1990 will be a year of probation for the Prime Minister. The question that will hover throughout the next 12 months will be whether there will be a second challenge to her leadership next autumn – and, more important, whether the challenger will be a politician of sufficient stature to stand a chance.

As ever, the course of the economy will be the principal factor in deciding the answers to both questions. To see how this works, consider the current political scene from the point of view of, say, a Conservative politician who is convinced that the post-1979 Thatcherite revolution is the best thing that has happened to postwar Britain and who wants the momentum maintained. The consensus among MPs and ministers of this persuasion is that with a modicum of luck, and a steady nerve, they will have their wish granted.

The key man charged with the responsibility for making such dreams come true is the new Chancellor, Mr John Major. His task is to get the economy through 1990 in accordance with the forecasts that accompanied his recent autumn statement – that is, the balance of payments deficit 25 per cent lower than this year, inflation down below 6 per cent and, by implication, a subsequent strong downward trend in interest rates. If he is firm enough now, the argument runs, he may get away with it. That would provide the background for a tax-cutting budget in March 1991, followed by lower mortgage rates in the Spring and a triumphant fourth election victory for Mrs Thatcher in October. She would retire soon afterwards, leaving Mr Major to reap the reward for his good stewardship by being elected her successor.

As a matter of fact I would put a decent wad of money on Mr Major getting the prize if he delivers the goods. He is a pleasant enough individual, a politician who has achieved the remarkable feat of rising quickly to near the top without making enemies in the party. His Thatcherite colleagues regard him as – almost – one of them. Those who seek a friendlier approach to Europe and a more caring feel for social policy also regard him as an ally. Before he became Chancellor it seemed that it would be the party chairman, Mr Kenneth Baker, who stood the best chance of winning the succession if he could claim credit for an election victory, but now, surely, the political stars favour the man whom fortune has chosen to try for an economic miracle.

I haven't forgotten that "if." It is a big one. Mr Major could precipitate us into recession, fall flat on his face, and perhaps bring Mrs Thatcher down into the bargain. His unspoken fear of doing just that may help to explain his apparent reluctance to increase interest rates yet further in response to the slide in the value of sterling. But we all know that the current depreciation in the value of the pound should drive inflation higher, while the trend in earnings remains extremely worrying.

The Chancellor could therefore fail to reduce inflation, interest rates and, by extension mortgage rates, with much the same devastating effect on the Prime Minister's career as a recession. He could produce a dull, technical, Budget next March, with no signs of progress emerging in time to save the Conservatives from a humiliating series of defeats in the May local council elections. If that were to coincide with, say, a couple of poor by-election results, the courage of the big-name potential challengers of Mrs Thatcher would start to rise. The possibly fanciful notion that she could be quietly urged to retire in favour of someone who stood a better chance of winning would be put to the test.

This is why so many Conservatives, high and low, are agreed that 1990 is likely to be a critical year for both the party and Mrs Thatcher. If things go well, she will parade around the capitals of Europe, proclaiming Britain's resurgent greatness. At home, she might perhaps support Mr Chris Patten, the Environment Secretary, in his endless series of diplomatic visits to the Treasury, and the ministries of energy, transport and agriculture. The result would then be a Patten 10-year plan for saving the globe, initialled by the Prime Minister, to enrich her manifesto for a late-1991 election. It would proclaim the heavy use of the price mechanism, and a light dose of regulation, as a means of reducing noxious emissions into the atmosphere. The speeches of Sir Geoffrey Howe and Mr Douglas Hurd urging a shift to "quality-of-life" issues, such as better transport, schools and hospitals would be combed for further manifesto sugges-

Surely the stars must favour Mr Major, whom fortune has chosen to try for an economic miracle

tions, although someone would have to square greater spending on roads, electricity, school and hospital building and the like with care for the environment.

If things go badly, however, the above might be regarded as peripheral, not to say irrelevant. The talk would be of unnecessary privatisations, traffic jams, the poll tax, and high mortgage rates. The Tories would have to endure a year of increasing discomfort, as the Prime Minister steered between those who wanted another leader and those willing to stick with her. I do not know how this might turn out. During the past five months one political blow after another has fallen, but Mrs Thatcher is still standing. Could it be that the power of her office has become so very great that only a defeat in a general election would be sufficient to remove an unwilling incumbent?

LOMBARD

A nation that can't count

By Michael Prowse

AT KING'S COLLEGE, London, the post-graduate teacher training course in mathematics is half empty. The college, which has a high reputation, has been able to fill only 19 of its 41 maths places despite a policy of accepting graduates without maths degrees. The shortage of maths graduates willing to contemplate a teaching career is likely to intensify in the 1990s.

Yet schools have already experienced two decades of famine: at present only just over a third of maths teachers have degrees in maths and 27 per cent have no relevant qualification beyond A level. Figures for teachers with sub-A level qualifications are not recorded, but in 1982 the Cockcroft Committee reported that 21 per cent of maths teaching was undertaken by teachers with "nil" qualifications.

Schools' inability to attract able mathematicians is but one facet of a far-reaching malaise. The numbers of pupils attaining high standards in maths are pitifully low by international norms. At 16 only about a third of schoolchildren achieve the equivalent of an O level pass in maths. Research by Professor Sig Prais of the National Institute suggests that roughly twice this proportion achieve a comparable level in West Germany. Japan appears to be even further ahead. As Professor Prais puts it: "To match the Japanese, we must bring the average comprehensive school-leaver up to grammar school standard, and get him there a year earlier."

If anything, Britain's relative performance is even worse at the post-16 stage. The problem begins with the UK's abnormally low school staying on rate: only about 40 per cent of 16 to 18-year-olds remain in full-time study compared with 55 per cent in West Germany, 75 per cent in France and about 90 per cent in Japan, the US and Sweden. Since most UK 16 to 18-year-olds do not study anything, the proportion studying maths is necessarily low.

In fact, Britain's maths performance is far worse than the low staying on rates might suggest. In most developed countries, maths is regarded as an essential part of the post-16 curriculum. The French baccalaureate, the West German Abitur, the US high school diploma and the Japanese upper secondary school curriculum all require students to demonstrate mathematical competence. Maths is held in particularly high esteem in Japan where it is regarded as the best guide to pupils' innate ability. It forms a crucial part of the exams for university entry. Students must do well at maths regardless of what subject they intend to study.

The contrast with Britain could hardly be greater. In England and Wales (but not Scotland), sixth form study is exceptionally narrow with most students taking just three subjects at Advanced level. Such exams were designed only for the top 20 per cent of the ability range. Studies indicate that maths A level is significantly harder than other A levels: a "D" in maths is probably equivalent to a "B" in English. As a result, maths tends to be taken by small numbers of able pupils, mainly those with scientific leanings. It has never been regarded as a necessary part of a rounded sixth form education and is avoided by most arts students. In 1987, maths A level was passed by just 5.4 per cent of English school-leavers.

The UK is locked in a vicious circle. The structure of the exam system and the quality of much teaching ensure that few school-leavers are well qualified in maths. But given the needs of industry, commerce and research, few graduates are available to improve the situation in schools.

So far ministers have done little but wring their hands. The sixth form curriculum remains unreformed: the Advanced Supplementary (AS) exam is nearly useless as a means of increasing the numbers studying maths because it is as demanding as A level maths. Meanwhile, schools remain unable to offer the kind of financial rewards and working environment likely to appeal to able maths graduates. The Government's failure to respond to the crisis in maths education seems likely to perpetuate Britain's relative economic decline.

LETTERS

'Annual re-valuations are feasible'

From Mr Tony Christopher.

Sir, The arguments presented by Mr John Muellbauer and Mr Anthony Murphy ("No Exchange Rate Mechanism entry without a property tax," December 5) deserve serious attention.

My own instincts are that, basically, these arguments are sound. What I question is the form of property tax which they advocate: a tax on residential land values.

It seems to me that this sort of local property tax would suffer from the same weakness as the present basis for rateable value assessments – a deficiency of evidence. If there are not many rented properties outside the public sector, there are probably not many land sales. Valuations would quickly become as unreal as the hypothetical rents used for rates purposes.

But this does not invalidate the thrust of the case.

It is extremely important that definitive work on a possible property tax should now be undertaken. Whether it is the present Conservative Government or a Labour one which has to shore up or replace the poll tax, it will be seen as a serious weakness that the data is not available to plan a fair and acceptable property tax.

The one area of existing knowledge about property is capital values: a mass of "arms length" sales every year. The base for a property tax must surely be capital value. Annual re-valuations by the valuation office of Inland Revenue are feasible.

For reasons I can understand, Mr Ridley sought to scare voters – how many times did he ask whether residents of the south-east of England really wanted to pay tax on their £300,000 houses? That was never the point, as he knew very well.

To set up such a tax will take at least four years, perhaps five, once government has decided what it wants to do. What Parliament should be demanding is some sample value lists so that we may consider what could be done.

There are many questions:

● What would be the redistributive effect, with its implications for transitional arrangements?

● What rate of tax might we need?

● What might we do to meet the reasonable criticisms of the present rating system?

Without such a sample (which probably only the Inland Revenue valuation office could undertake to provide), I am not sure what confident planning anyone can do. Certainly Parliament's choices will remain restricted, and local democracy may suffer a severe blow if central government has to assume full responsibility for financing important local services.

Tony Christopher,
c/o Institute for Public Policy Research,
18 Buckingham Gate, SW1

Fact and fantasy both ride in the company car

From Mr Geoffrey Pelling.

Sir, Mr L.W. Orchard's nonsensical letter ("Opportunity knocks for the Chancellor," December 4) should not go uncorrected.

First, the facts. According to the Inland Revenue, about 1.4m persons paid tax for private use of company cars last year. That is only some 7 per cent of cars in use. Furthermore, total new car sales last year were 2.21m, of which 1.25m were imports. Mr Orchard's figure of 7m imports a year is a fantasy.

His ideas on policy are as unrealistic as his figures. Excessive taxation of company car use may drive some people to give them up and instead use their own cars for business travel with a mileage allowance. What difference would that make to the total number on the road? It is inconceivable that payment of mileage allowances could be prohibited. There would be no surer way of hobbling the efficiency and productivity of sales personnel than to require them to do their jobs by public transport instead of car. I wonder if Mr Orchard has ever tried to make 10 or 15 sales calls a day by public transport?

His letter suggests a belief that company cars are used largely for private travel. The 1985-86 National Travel survey showed that this is incorrect. It found that the average company car driver covers almost 7,000 miles a year on business. For most of them the company car is an indispensable tool of their trade.

Geoffrey Pelling,
The Society of Motor Manufacturers & Traders,
Forbes House,
Halkin Street, SW1

What matters is the margin

From Mr Fabian Finlay.

Sir, Janet Bush's examination of the arguments in the US over computerised programme trading ("When tradition is swept aside," November 30) – surely in America, where the problem arises, this is "program" trading? – touches on the real problem causing the occasional big leaps in stock market volatility which generate so much fear and hostility among Wall Street critics of computerised programme trading strategies.

It is not the index arbitrageurs who create volatility. They merely seek to bring two divergent markets, in the same ultimate product, back into line. Rather it is the discrepancy in margin requirements between the stock market and its derivatives in both futures and options which creates a more volatile secondary market.

If the futures markets were regulated by the US Securities and Exchange Commission (SEC) instead of the Commodity Futures Trading Commission (CFTC), perhaps the margin requirements for uncovered long or short futures positions would be raised to the 50 per cent of gross value required by the stock market.

The ability to take volatile speculative positions would then be seriously circumscribed.

I believe that if this were done it would be found that index arbitrageurs would cease to be seen as an enemy, but would quite properly be granted the privilege of considerably reduced margin requirements wherever futures positions could be shown to be hedged by stock positions, and vice versa.

Fabian Finlay,
9 North Audley Street, W1

Combustion burns in heat and light

From Mr Alan Hershman.

Sir, On Friday November 24 my car was taken away in a car conveyor vehicle of some kind from Mortimer Street, London W1, at about 8.15 pm.

It had been there for about 20 minutes in all. I got to the car immediately, but I still had the mortification of not being allowed to drive my own car away, although it had not been strapped and therefore was not ready for hoisting onto the carrier vehicle.

The police officer who was busy taking notes of cars was unable to answer my question as to where the car could be retrieved, and when I asked for a receipt for the vehicle he told me that he would not give me one.

My car was subsequently returned to me at the Oval Road car pound in south London, on payment of £75, about one hour later.

Mortimer Street, at this hour, is invariably clear. I have parked there regularly in the evening for many years (when I dine at the same restaurant), without any problems or inconvenience of any kind.

Conversely, the congestion of traffic and the hooting of cars which built up in Mortimer Street while the carry-away process was going on was unbelievable. The carriers were actually compounding more highway offences – and getting away with them.

Had the policeman used just a little common sense, and given me a parking ticket but allowed me to drive away my car, all the noise and congestion would have been easily avoided.

But of course the private enterprise company which handles this parking control system would be lighter in pocket. Privatisation seems to have brought out a rather mean, money-grabbing aspect of the treatment of motorists. Is it not time that this form of traffic "control" had an overhaul of its rules?

Furthermore, what seems to have eluded the police in this context are the opportunities offered to sophisticated car thieves by this system of traffic control. At this stage, it would be unwise to put these into print. . .

Alan Hershman,
Allans of Duke Street,
56-58 Duke Street, W1

FINANCIAL TIMES
Friday December 8 1989

BALTIC REPUBLICS CHALLENGE MOSCOW

Lithuania ends communist power guarantee

By Quentin Peel in Moscow

LITHUANIA yesterday became the first republic within the Soviet Union to abolish the Communist Party's constitutional guarantee of power and Estonia is ready to follow suit.

The moves by the two independently minded Baltic republics are to pave the way for multi-party elections to their parliaments early next year. They amount to defiance of Moscow and of President Mikhail Gorbachev.

Moscow has readily accepted decisions in other East European countries to dilnte the Communist Party's monopoly of power, but Mr Gorbachev has argued that the party's role is the one unifying force in the Soviet Union.

The Baltic moves, however, raise pressure on Mr Gorbachev to allow a similar step in Moscow, already being vociferously demanded by radical reformers.

The Lithuanian parliament voted by an overwhelming 243-1 with 39 abstentions to remove a clause from tha republic's constitution enshrining the lesding role of the Communist Party.

Deputies replaced the article with a clause allowing the existence of political parties, public organisations and other movements provided they remain within Lithuanian law.

The Estonian Communist Party's central committee yesterday gave the go-ahead for the republic's parliament to make a similar move. An Estonian journalist told Reuters newsagency: "All agreed that Article Six could be thrown out when the parliament meets again late this month."

Article Six in the Soviet constitution and that of the country's 15 repnblics guarantees the leading role of the Communist Party in estahlishing a workers' and peasants' state.

In the Baltic states, Commnnist leaders argue that they can retain credibility only by allowing the emergence of a multi-party system.

Mr Mikk Titma, ideology secretary of the Estonian Communist Party, argued in an interview two weeks ago that the likely future in the republic was for "some sort of coalition government."

Yesterday's decision in Lithuania made lt likely that republic-wide elections there on February 24 will be the first multi-party polls in the Soviet Union since 1917, when several parties fought for seats in a constituent assembly.

In Estonia, candidates representing Christian Democrat, Independence League and other parties are already on the ballot for local elections next Sunday. Bnt since the Estonian parties have yet to be formally registered, candidates have had to declare themselves formally as independents.

The Baltic moves add to a growing clamour from radical reformers in Moscow for the Communist Party of the Soviet Union to follow suit.

A protest is due to be launched next Monday, when a two-hour token strike has been called hy leading radicals in the Congress of People's Deputies, to demand a debate.

The whole question of the party monopoly on power, and the pressure for change, is certain to be a key issue at what promises to be a crucial plenum of the party central committee tomorrow.

Indian premier may launch Punjab move

By K.K. Sharma in Amritsar

HUNDREDS of thousands of Sikh and Hindu Punjabis lined the streets of Amritsar yesterday to welcome Mr V.P. Singh, India's new Prime Minister, as hopes rose that the Government would launch moves to settle the Punjab issue.

Mr Singh is the first prime minister to visit Amritsar since 1984, when Mrs Indira Gandhi made a brief trip after the Indian army attacked the Golden Temple, the Sikhs' holiest shrine, to flush out terrorists. The assault led to her assassination by Sikh extremists.

Sikh militants have launched a violent movement since then to seek an independent nation called Khalistan.

Although Mr Singh declared he was not on a political mission his visit has raised expectations of a breakthrough.

The rising tension in the Punjab is likely to be the most testing issue for Mr Singh's administration, especially as 10 of the 13 MPs elected to the Lok Sabha (lower house) from Punjab are extremists, including the widow of Mrs Gandhi's assassin.

The welcome given to Mr Singh far surpassed that received by Mr S.S.Mann, the new leader of militant Sikhs who was freed last week after five years in prison. Mr Mann did not meet the Prime Minister yesterday.

Mr Singh said there would be an all-party conference on the Punjab soon.

"The Government will move fast to bring peace to Punjab," he said.

The move was underlined by the resignation yesterday of Mr S.S.Ray, Governor of Punjab. Mr Ray was appointed to the post by Mr Rajiv Gandhi, the former Prime Minister, and has been associated with what both militant and moderate Sikhs describe as a "repressive police rule" in Punjab in the last three years. They claim that hundreds of innocent Sikhs have been killed by security forces allegedly hunting terrorists.

After Mr Singh and three of his senior cabinet ministers visited the Golden Temple, he threw aside security measures and drove through the narrow streets of Amritsar in an open jeep.

He was cheered by thousands of people in what is said to be an unprecedented demonstration of affection for the new Indian leader.

Prime Minister V. P. Singh is conducted on a tour of the Golden Temple by the Sikh shrine's secretary, Manjit Singh Calcutta

Philippine rebel troops keep grip on air base

By Roger Matthews in Manila

REBEL troops holding an Air Force base outside Cebu, the second largest city in the Philippines, were still refusing to surrender last night, although most of the insurgents gave up earlier in the day.

President Corazon Aquino yesterday began working on details of a Cabinet shake-up in response to the week-long crisis. Mr Adolfo Azcuna, Mrs Aquino's spokesman, stressed that she was taking stock of the situation and that cabinet changes could come any time.

Brigadier-General Oscar Florendo, an Army spokesman, said that the Cebu rebels refused to believe television film showing the ending of the insurrection in Manila, the capital, earlier in the day.

He estimated that there were about 400 rebels in Cebu and about 1,500 involved in the capital area. Gen Florendo conceded that other rebels might have changed into civilian clothes and escaped.

He detailed serious equipment losses suffered by the armed forces, including 16 helicopters damaged on the ground, one F-5 fighter and two T-28 propeller-driven aircraft.

Gen Florendo said that the armed forces remained on full alert in anticipation of a possible third stage in the coup attempt. Officers such as Colonel Gregorio Honasan, the 1987 coup leader, are still at large.

Mr Azcuna defended the introduction on Wednesday of a state of emergency, stressing that the crisis was not yet over and measures might be needed to prevent more serious dislocation of the economy.

"We are going to be taking a long, hard look at ourselves to see where we have gone wrong and what needs to be done," he added. Mr Azcuna said the officers involved in the coup attempt had made a "naked grab for power", unlike the enlisted men who still nursed grievances about conditions of service within the armed forces.

He said Mrs Aquino was hoping for a massive demonstration of popular support from the people of Manila today to show that they still backed the Government.

Mr Azcuna also sought to reassure the international business community that the fundamentals of the economy were unchanged and it was an attractive country for foreign investors.. However, with troops yesterday searching buildings in the business district for possible booby-traps or unexploded ammunition, the restoration of international confidence could be a long process.

● US help in defeating the coup attempt against President Aquino has improved the atmosphere for talks on the future of US military bases there, according to Mr Emmanuel Pelaez, Philippines ambassador to the US, Reuter reports from Washington.

But he argued the negotiations, expected to start in mid-December, should be postponed.

THE LEX COLUMN

GrandMet settles into shape

The market's view of Grand Metropolitan in recent months has been clouded by two concerns: lingering doubt over Pillsbury and – after the about-turn on betting – honest confusion about group strategy. Yesterday's results at least addressed the former. Trading profits from the retained Pillsbury food businesses are up 21 per cent; and while Burger King's profits are flat overall, the underlying trend is upwards. There is also a more fundamental argument for GrandMet's managerial talents in the 15 per cent growth from established businesses, despite a faintly worrying 10 per cent fall in profits from UK pubs and restaurants.

As for strategy, the William Hill affair might best be described as a profitable blunder. GrandMet now defines its business as food, drink and retailing, with the stress in each case on international branding. Betting, it now appears, could not be taken to the US without entering Mafia territory. But among the other retailing brands, Burger King is international already and Pearle might be exportable. As for acquisitions, the plan now seems to consist of modest expansion of Pillsbury's food interests in Continental Europe.

Certainly, the balance sheet seems to leave little scope for anything more surprising. Gearing is at 123 per cent inclnding intangibles, or at 1,900 per cent on the conventional basis. Interest cover was only just more than 3 times in last year's second half and, even in the current year, might be no more than 4.5.

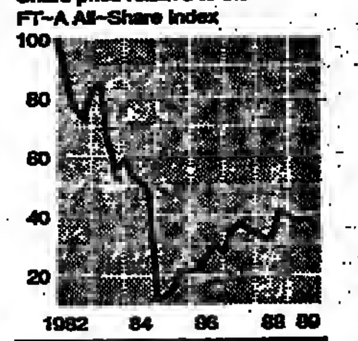
But from the investor's viewpoint, this is all to the good. On the assumption of at least 15 per cent earnings growth this year, the price of 580p puts the multiple at 10. With luck, GrandMet is settling into a shape the market can live with. Everything depends, of course, on the group's notoriously hyperactive management not doing anything to spoil that.

De La Rue

For months, De La Rue's price has been saying that a bid is coming and sooner rather than later; and it cannot be ruled ont entirely that somebody genuinely wants it, even at the 23 times expected 1990 earnings at which its shares closed last night. A mere 10 days ago, after all, a single buyer, identity unknown, was foolhardy enough to pay £13m for a mere 3 per cent; and there is Mr Maxwell still sitting on a fifth of the equity. But viewed dispassionately, yesterday's grim half-year figures, with trading profits down 31 per cent at £12.4m, make prospects of a bid by anyone but De La Rue's own management seem distant.

Johnson Matthey

Share price relative to the FT–A All-Share Index



De La Rue has spat out one poison pill by selling its loss-making Crosfield business to Dupont/Fuji, but found two more in its Printrak and Remsdaq fingerprint and security printing software subsidiaries. It is bad news that De La Rue will have to repay some of the £235m sale price for Crosfield; but this has to be set against the fact that the City only expected the sale to bring in £150m anyway. Much more disappointing is the fact that the damage to the profit and loss account should have come from operations as small as Remsdaq and Printrak, with only 500 employees between them.

An obvious next move would be to sell them both; there were ready buyers for Printrak six months ago. The snag is the throwaway line that Remsdaq and Printrak are struggling to fulfil some big contracts in the Middle East. This is not another Ferranti, but problems like that should make any bidder think more than twice.

GUS

Great Universal Stores may have problems selling dresses via catalogue these days, but it knows how to sell its investments. Last year's £34m profit on the sale of the Harris Queensway stake and the £10.7m cash from the sale of Lennards gave the company a much-needed cushion to smooth the ride through the consumer downturn. Agency mail order is a tough way to make money these days, without the government adding to the problems by clamping down on demand. Even the defensive quality of mail order sales has now gone, since the high street has long been willing to compete on credit facilities. And as competition gets tighter, GUS has the most market share to lose.

Of course, the interest rate cycle has boosted the profits of GUS's consumer finance division; and the same rent increases that are the curse of store groups' finance directors are good news for GUS's property portfolio. That spread of interests has allowed the company to announce a 5 per cent profits increase in a sector where decreases are the norm. But the stock's defensive qualities probably owe as much to the company's willingness to buy back its shares. A more remote attraction is the hope that the asset value, which could be more than £11 per share at the next balance sheet date, might some day be unlocked under a post-Wolfson regime.

Johnson Matthey

There was a vain attempt to exude calm at Johnson Matthey yesterday, which managed to lose both its chairman and chief executive in just under 18 hours. Chief executives do not quit the night before a results announcement without good reason. Mr Anderson certainly had plenty of reasons for pride in his record at Johnson Matthey and he could have chosen a better note on which to depart than a 6.3 per cent profits increase. The hiatus between the announcement of his departure and the appointments of Charter's men certainly confused shareholders; the shares raced ahead in the interim, before falling sharply back on the second announcement. The affair was hardly an advert for good investor relations.

Ever since Minorco gave up the struggle for Gold Fields, the market has expected some restructuring between Charter and Johnson Matthey. But investors had a good run under Mr Anderson; now, rather than fathoming out the details of the grand plan, they may simply decide to leave the South Africans to it. Without tha major acquisition that Mr Anderson seemed to be favouring, JM's profits are likely to be pretty flat over the next 18 months. And now that Charter has ruled out a bid, at least in the short term, speculative interest in the shares will disappear.

EMU tops agenda at Strasbourg

Continued from Page 1

Nor were British officials elated at signs of stress in the Franco-German axis, though they welcome anything that will make Mrs Thatcher look less isolated at Strasbourg. They pointed out that Mr Kohl endorsed EMU and some sort of timetable for its achievement, while Mrs Thatcher wanted the Twelve to increase monetary co-operation only gradually and without treaty changes.

Deploying to a more than usual extent his traditional tactic of raising the political temperature on the eve of a summit, Mr Delors said the Community was at an historic crossroads in its internal and external policies.

The summit agenda will set aside a substantial amount of time for further discussion on relations between the Community and the countries of East Europe, following the dinner meeting on the recent reform moves in Paris on November 18, in addition to internal EC issues such as the completion of the single market and the adoption of a Social Charter.

Elysée officials were displaying confidence that a decision on an Inter-Governmental Conference would be taken, if necessary by a simple majority. French officials discounted reports that the West German Government might be drawing back from an IGC. They said that the essential requirement for the French Government was that the summit should take the decision of principle to hold an IGC;

Michael Cassell in London adds: Mrs Thatcher flew into Strasbourg last night having made clear in the House of Commons earlier her bélief tbere was no room for manoeuvre this weekend over the Social Charter on workers' rights.

Husak appoints prime minister

Continued from Page 1

The reason for Mr Adamec's resignation was not clear last night, although a government spokesman pointed to the televised speech that he made on Wednesday evening. In it, Mr Adamec said he would resign if the pressures on him – from the opposition movement Civic Forum, from the Communist Party and from other parties – became unbearable.

Indeed, the valedictory tone of the speech – in which he thanked his colleagues for their support – led observers to believe he had already decided to go.

Yesterday, he had been due to present his new Government to the Praesidium of the National Front, the body which brings together the Communist Party with the "official" Socialist and People's parties and other Communist-dominated organisations. Instead, he informed the meeting that he had resigned.

The Communist Party Central Committee went into emergency session yesterday evening. In a statement, it said that it maintained the view that "the Government must be in accord with the present political situation and the ratio of the existing political parties."

Civic Forum, in a statement issued before the news of Mr Adamec's resignation was made public, said it had presented the Prime Minister with the names of seven non-party individuals who should become ministers in the new government.

In a clear effort to avoid being blamed for the collapse of the latest government initiative, Civic Forum said: "This is not our crisis but the crisis of the Government... Civic Forum is ready to publish the records of all negotiations with the Government to show we did not use any threats."

Earlier, Mr Frantisek Kincl, the former Interior Minister, said that he had been ordered by a "high Communist Party functionary" to "stop the students by any means" during the demonstration of November 17.

Civic Forum's co-ordinating committee yesterday met the Soviet Ambassador in Prague with others of his staff for talks. The name of Mr Alexander Dubcek was mooted as a possible future president but last night, Mr Jan Urban of Civic Forum ruled out Mr Dubcek as a candidate.

Germanys embrace ideal of confederation

Continued from Page 1

Schilling, the Post Minister, also plans to visit East Germany before Christmas.

The air traffic question is particularly delicate because, as the result of rules dating back to the end of the Second World War, air links between the two German states are still under the jurisdiction of the war victors.

The Bonn Government increasingly sees as an anachronism the three air corridors between the two states reserved for US, British and French airlines. Underlining the restiveness, Mr Erich Riedl, State Secretary at the Economics Ministry, called last month for the allied regime to be abolished.

Mr Heinz Ruhnau, chairman of the West German carrier Lufthansa, met Mr Hans Modrow, the East German Prime Minister, in East Berlin on Wednesday to discuss Lufthansa's long-standing wish to fly directly to Berlin.

Direct East-West German air routes to cities outside West Berlin started in August. Lufthansa and Interflug, the East German airline, have now agreed 11 flights per week linking Frankfurt, Düsseldorf, Hamburg and Munich with Leipzig and Dresden. A Lufthansa spokesman yesterday said that the two sides wanted to expand further, hut this was a "political decision" depending on the allies.

Interflug said in East Berlin yesterday that it favoured talks to open a new air corridor between East and West Germany passing over Bavaria.

In a further sign of increasing economic links, Mr Lothar Spaeth, ths Baden Württemberg Prime Minister, is visiting Dresden this weekend with a team of industrialists.

Bank prepared to offer loan

Continued from Page 1

stock; $100m for new telecommunications; $100m for new livestock feed processing plants; and $800m to support the reform effort in Poland, to be disbursed possibly by the middle of next year. The last sum would probably be similar to the $1bn stabilisation fund set np hy Western governments to ease Poland's transition to a market-oriented economy.

Aside from Poland, Mr Lari said that there was concern about Hungary's economic plight.

He did not dispute a report that Hungary's cnrrent account deficit was deteriorating at such a rate that in six months it may not be able to service its debt. Hungary's political uncertainty and slow pace of privatisation were also worrying, he said.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	R	13	56	Dubrovnik	C	8	46	Malta	C	20	68	Rhodes	S	16	61
Algiers	C	21	70	Edinburgh	C	4	39	Manchester	F	8	46	Rio de J'o	C	31	88
Amsterdam	R	8	46	Faro	C	18	64	Manila	F	29	84	Rome	F	14	57
Athens	C	16	61	Florence	C	11	52	Melbourne	C	21	70	Salzburg	C	1	34
Bahrain	S	20	68	Frankfurt	C	4	39	Mexico City	C	25	77	San Francisco	S	8	46
Bangkok	F	32	90	Funchal	S	20	68	Miami	S	18	64	Seoul	C	2	36
Barcelona	C	11	52	Geneva	C	0	32	Milan	Fg	-1	30	Singapore	F	30	86
Beirut	–	–	–	Gibraltar	F	17	63	Montreal	S	-16	3	Stockholm	S	-5	23
Belfast	C	6	43	Glasgow	C	3	37	Moscow	Sn	-5	23	Strasbourg	C	-1	30
Belgrade	C	-2	28	Guernsey	C	8	46	Munich	C	2	36	Sydney	C	21	70
Berlin	S	5	41	Helsinki	S	-9	16	Nairobi	F	23	73	Taipei	F	24	75
Biarritz	F	8	46	H. Kong	S	23	73	Naples	R	15	59	Tangier	F	20	68
Bombay	S	31	88	Innsbruck	S	0	32	Nassau	C	26	79	Tel Aviv	R	13	55
Bordeaux	S	10	50	Inverness	S	2	36	New Delhi	S	19	66	Tenerife	F	21	70
Brussels	F	7	45	Islamabad	C	18	64	New York	S	1	34	Tokyo	C	12	54
Budapest	C	6	43	Istanbul	F	11	52	Nice	S	15	59	Toronto	S	-16	3
B. Aires	C	22	71	Jakarta	R	31	88	Nicosia	S	18	64	Tunis	F	23	73
Cairo	S	20	68	Jersey	C	7	45	Oporto	F	16	61	Valencia	C	14	57
Cape Town	S	23	73	Jo'burg	C	19	66	Oslo	S	1	34	Venice	C	5	41
Caracas	–	–	–	Lima	F	23	73	Paris	C	5	41	Vienna	S	5	41
Casablanca	C	16	61	Lisbon	C	16	61	Peking	S	6	43	Warsaw	C	2	36
Chicago	S	-11	12	London	C	8	46	Prague	S	4	39	Washington	F	5	41
Cologne	C	7	45	Los Angeles	S	12	54	Reykjavik	C	7	45	Zurich	C	0	32
Copenhagen	S	4	39	Luxembourg	C	5	41	Readings at mid-day yesterday							
Corfu	C	15	59	Madrid	C	11	52								
Dallas	C	9	48	Majorca	F	19	66	C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain							
Dublin	C	8	46	Malaga	F	18	64	S-Sun Sl-Sleet Sn-Snow T-Thunder							

Dutch criticise travel accord

THE Schengen accord, allowing free movement of people and goods between The Netherlands, Belgium, Luxembourg, West Germany and France by January 1 1990, has come under attack from Dutch MPs, writes Laura Raun in Amsterdam.

The agreement is due for signing on December 15, but the MPs are insisting that the asylum policy of all five must be harmonised in terms of criteria, not just procedures.

They have also complained thet a proposed databank of criminal records, to be shared among the Schengen countries, would risk an invasion of privacy.

However, Mr Ruud Lubbers' Christian Democrat-Socialist coalition government might find some sympathy for a move to delay the December 15 signing ceremony.

The French Government wants to tighten up both asylum and immigration criteria while other Schengen countries are also thought to have their own concerns.

But sven if the accord is signed this month it must still be ratified by the five which could take 18 months.

The proposals have put the UK and Italy under pressure to remove border controls for EC nationals travelling within the community. Both say that they are being pushed to choose whether to participate in extending ths reach of the agreement or accept that they would join the slower portion of a two-speed Europe.

هكذا حتى التكامل

FINANCIAL TIMES
COMPANIES & MARKETS
Friday December 8 1989

INSIDE

Physician heal thyself

Even a printer of bank-notes can have difficulty maintaining its profit level. This was clear yesterday when the De La Rue group revealed that trading profits at its continuing security products business had slipped 31 per cent to £12.4m from £18.1m. As the company's share price fell 22p to 315p, the company blamed persistent losses at De La Rue's high technology subsidiaries. Peter Orchard (above), De La Rue's chairman, said: "There are problems related to the fulfilment of contracts which are proving somewhat intractable and are very difficult to quantify." **Page 30**

Watching their profits by night

Shopping halls are decked with tinsel, angels and boughs of holly in stores throughout the US, but the retailers themselves are finding it hard to join in the jollity after a set of mostly dull monthly sales figures for November. At Christmas, US stores generally record one third of their total sales and make as much as half of their total earnings. But this year price cuts are likely to eat into profits. And with the spectra of a softer economy, there may be some stock market casualties. **Page 50**

Storm in a coffee cup

Once there was an awful lot of coffee in Brazil. Now however the country's coffee farmers are locked in a vicious circle of falling yields and declining incomes. Prices have halved since July when the International Coffee Agreement's export quota system collapsed. The lower prices go, the less farmers can spend on preparing for their next harvest — so production falls and incomes drop. In a murderous international market, Brazil was sure its cost advantages and 30 per cent market share would guarantee victory, but its next satisfactory harvest may well be several years away. **Page 38.**

A stocking full of stocks

Almost a million Swedes are to receive an extra Christmas gift this year. They are all policy holders with Trygg-Hansa, the country's second largest insurance group, which is going public today on the Stockholm stock exchange. In what is Scandinavia's biggest ever share issue about one in five of the country's adult population will receive a total of 50m tax-free shares worth over SKr200 each. For Trygg-Hansa the issue is part of a dynamic internal revolution engineered by Bjorn Sprangare, who took over as managing director three years ago. Sprangare says the issue will strengthen the company's artillery domestically and overseas. **Page 24**

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)				Lachaire	375	+	26.2
Rises				Michel	85	+	0.5
Bayer-Hypo	408	+	12.5	Total Cat	106	+	4.7
BMW	545	+	11	**Falls**			
Daimler-Benz	720	+	28	Ecco	502	−	17.4
Kaufhof	637	+	20	Electro	1094	−	79.8
Mercedes Hldg	565	+	20	**TOKYO (Yen)**			
Thyssen	260	+	10.5	**Rises**			
NEW YORK ($)				Kyowa Cable	1450	+	140
Rises				Nippon Concrete	1630	+	140
Alberto Fr	38⅝	+	⅝	Shoei	2508	+	270
Pinnacle West	10	+	4⅝	Tokyo Drop	1200	+	110
Falls				Yuasa Trading	1150	+	120
Champion Int	30¼	−	1⅞	**Falls**			
First Inter	48⅝	−	3⅞	Tanaka Seiko	2058	−	240
Inland Steel	31⅝	−	2⅞				
Phelps Dodge	59	−	⅝				
PARIS (FFr)							
Rises							
Eurafrance	2690	+	142				

New York prices at 12.30

LONDON (Pence)							
Rises				**Falls**			
BP	323	+	4½	Avesco	101	−	11
Enterprise	656	+	7	Cable & Wire	512	−	14
Grand Met	580	+	18	De La Rue	315	−	22
Hamleys	273	+	9	GRE	245	−	9
Lucas	628	+	9	Johnson Matthey			
Macarthy	258	+	19		369	−	12
Rowland	1037	+	18	MS Intl	92	−	13
Royal Bk Scot	205	+	7	Ratners	245	−	10
Taf Hse	388	+	5				
Wellcome	754	+	14				

Générale regroups its non-ferrous metals

By Tim Dickson in Brussels

SOCIETE Générale de Belgique, Belgium's most powerful industrial and commercial holding company, yesterday announced its intention of becoming a major global player in the non-ferrous metals business.

La Générala said it would do this by merging its main activities in the sector into Acec-Union Minière, an engineering and metals grouping which it created earlier this year, to form an integrated and "more commercially-oriented" industrial group.

The Belgian holding company attracted international attention last year when it found itself on the receiving end of an unsuccessful bid from Mr Carlo De Benedetti, the Italian businessman. The complex operation, which involves buying out minority interests in copper refining specialist Metallurgie Hoboken-Overpelt (MHO) and the zinc producer Vieille-Montagne, represent one of the most ambitious steps in the strategy followed by Mr Herve de Carmoy, chief executive, and Viscount Etienne Davignon, chairman, since they took over the reins at La Générale in mid-1988.

In short they are designed to turn a collection of valuable but hitherto poorly managed assets into a single entity capable of meeting the growing competitive challenge of industry leaders RTZ and West Germany's Metallgesellschaft.

Figures disclosed yesterday show that the new Acec-Union Minière will be 87.5 per cent controlled by La Générale, that the group's share of net operating profits will be roughly BFr8.9bn ($240m) in 1989, and that its own funds will total BFr34.7bn. Earnings per share are put at around BFr458 before the merger and around BFr434 afterwards.

La Générale, which had previously increased its stakes in MHO and VM from roughly 50 per cent in each case to respectively 75.3 per cent and 96 per cent last year, is now offering nine Acec-UM shares for every two MHO and 11 Acec-UM for each VM share to mop up the remainder.

In addition there is an 11-for-1 offer for the 1.67 per cent stake held publicly in Mechim, a small engineering business which will also be integrated into the group.

The final piece in the jigsaw is Sogem, formerly Générale Trading which has had a tarnished image recently but which has been reshaped to act as Acec-UM's international trading arm. Sogem, unlike the other businesses which become divisions of the new group, will remain a separate company more than 95 per cent owned by Acec-UM.

Mr De Carmoy, chairman of Acec-UM, refused to disclose details of any investment plans but said new acquisitions and alliances would be announced in due course.

Berlusconi wins court injunction

By John Wyles in Rome

MR SILVIO Berlusconi struck the first legal blow in the Mondadori battle yesterday, when a Milan Court granted an injunction to prevent the publishing group's board, still dominated by Mr Carlo De Benedetti, from summoning a special shareholders' meeting.

Prince Carlo Caracciolo, the board chairman, adjourned the meeting until Saturday afternoon, by which time the De Benedetti forces hope to have the injunction lifted. The Milan courts are now closed until Saturday morning because of a public holiday.

In a formal statement issued yesterday, the Mondadori board said that the Italian Civil Code requires boards of directors to call special shareholders meetings when presented with requests representing more than 20 per cent of a company's capital. Mr De Benedetti's holding company, Cir, which owns 42 per cent of all Mondadori capital presented just such a request yesterday, and his camp believes that the judge will have no alternative but to lift the injunction when presented with evidence of this request.

Mr De Benedetti and his allies have a majority at special assemblies and their aim is to approve a capital increase which would dilute the existing majority of ordinary shares held by Mr Berlusconi's group.

This majority materialised last weekend when the Formenton family switched its 25.7 per cent of ordinary capital away from Mr De Benedetti to Mr Berlusconi and his allies.

Duel for the soul of La Repubblica

John Wyles reports on the fierce fight between Carlo De Benedetti and Silvio Berlusconi

The battle now under way for control of Mondadori, Italy's largest publishing group, offers a rather gruesome portrait of current business practices in Italy. Deception and bad faith abound, legal contracts have been questioned and so great are the issues at stake that the clandestine exercise of political power could yet help to determine victors and vanquished.

This means that the affair is rather more than a spaghetti soap opera, although it is undeniably rich in the necessary ingredients; from a family recently at perpetual war with itself, to a television mogul in bitter competition with a highly resourceful financier, to the deployment of vast (and undisclosed) sums of money. By the closing scenes of the final episode, however, some positions may be irrevocably lost, reputations tarnished and the power balance crucially changed among the handful of giant groups which dominate Italian business.

The man with most at stake is Mr Carlo De Benedetti. Although his business future does not hang on maintaining control of Mondadori which began only 18 months ago, its loss as an economic and political powerbase in Italy would be a severe blow to his domestic standing, and could weaken his reputation among his international blue chip partners such as S.G. Warburg and Nomura Securities. As a financial wizard, De Benedetti's image has already taken some knocks from the failure of his bid last year for Belgium's Société Générale and more recently from Olivetti's general difficulties culminating in a weakly supported capital increase.

Correspondingly, his challengers stand to pluck some very rich fruits from capturing a company with sales of L2,400bn ($1.75bn) and profits this year of more than L100bn. First and foremost, Mr Silvio Berlusconi who would establish himself as an indisputable power after the Agnellis both in terms of personal wealth and actual political influence.

Publishing, particularly of newspapers, is regarded by all of Italy's leading business barons as a crucial key to social and political power, and thus to cementing the formidable economic advances they have made during this decade. Agnelli, Gardini, De Benedetti, Berlusconi all have their newspapers which, by and large, are given considerable, but not total editorial freedom. Among other things, their owners are fond to them as a kind of insurance against the bad old days of the 1970s when a lack of assertion left them prey to rampant trade unions, corrupt politicians and murderous terrorists.

In this respect, Mondadori is a glittering prize, offering not only book publishing but also a chain of provincial newspapers, Italy's top two weekly news magazine and, the jewel in the crown acquired this year, Mr Eugenio Scalfari's La Repubblica which, with Corriere della Sera, is the nation's top selling daily newspaper.

The prospect of these titles falling into Mr Berlusconi's sphere, alongside his three commercial television networks, is generating a great deal of genuine alarm about the growing concentration of media power. President Francesco Cossiga's concern, voiced on Wednesday was also undoubtedly sincere. But, imprisoned in their lobbies, the politicians have repeatedly failed to provide Italy with a properly functioning anti-trust law governing both newspaper and television ownership.

Having been strenuously wooed by Mr Berlusconi, the ruling Christian Democrat-Socialist political establishment is far from preoccupied about a transfer of control at Mondadori. "I am not isolated, I am independent," said Mr De Benedetti earlier this week. He is, in fact, both. Although he is a board member of Italy's dominant merchant bank, the independence of view and conduct has kept him apart from the Agnelli-Mediobanca business establishment, and few in this group would regret his defeat, even if they are not actively working for it.

Standing outside this charmed inner business circle may signify independence, but it is also isolating. Mr De Benedetti's somewhat lonely state has been sealed by his tolerance, greatly exaggerated by his foes, of the Communist Party.

Since this attitude is perfectly in accord with Mr Scalfari's at La Repubblica, the "if you are not with us, you are against us" mentality in Italy on such matters guarantees Mr De Benedetti and Mondadori the deep mistrust of the Craxi (Socialist leader) - Andreotti(Christian Democrat prime minister) - Forlani (DC secretary) axis, which is currently calling the shots in Italian politics.

This then explains why the Formenton family's decision to deprive Mr De Benedetti of his control of a majority of Mondadori's ordinary shares is rather more than a colourful boardroom squabble. Though they justify their act in terms of alleged attempts by Mr De Benedetti to acquire a de facto control through covert market purchases, they have probably been subject to political pressure and most certainly to a heavy seduction by Mr Berlusconi. He admits to having provided them with an undefined "financial umbrella" which Mr De Benedetti claims is worth L140bn.

Since mid-1988, Mr De Benedetti's control has been based on his alliance with Christina Formenton (Nee Mondadori) her son Luca and her daughter Silvia inside Amef, a financial holding which owns 50.3 per cent of Mondadori's ordinary shares. Having fought bitterly last year with her cousin Leonardo and his mother over forging an alliance with Mr De Benedetti rather than with Mr Berlusconi, Christina and her children have now made common cause with the other half of the family and with the TV king, to achieve a combined control of more than 60 per cent of Amef's capital.

Locked in battle: Carlo De Benedetti (left) and Silvio Berlusconi

Unless they succeed in legally nullifying the agreement, the Formentons cannot, however, sell to Mr Berlusconi because of a signed arrangement with Mr De Benedetti to sell their Amef holdings to him by the end of January 1991. Before losing his majority on the Mondadori board, Mr De Benedetti's target is the calling of a special general meeting to consider a capital increase which would to dilute Amef's majority of Mondadori ordinary. This decision was due to have been taken yesterday by the Mondadori board but was postponed, at least until Saturday, after Mr Berlusconi was granted a injunction by a Milan court. Mr De Benedetti's justification for a capital increase of around L300bn is the need to fund this spring's purchase of La Repubblica and L'Espresso group.

Mr De Benedetti has enough votes to call a special as..mbly to deliberate such an increase, through his ownership of a.. least 71 per cent of Mondadori's privileged shares and 17.3pc of its ordinary. If he succeeds in winning a capital issue on a one-for-one basis, Amef's holding of ordinary stock would be diluted to around 35 per cent, because it does not own any privileged shares. Mr De Benedetti's stake would rise to around 33.5 per cent, which he claims would guarantee a majority for himself and his allies.

Inevitably, the lawyers are set for a field day since Formenton-Berlusconi will dispute any board decision on a capital increase which they are not party to (the Formentons resigned from the Mondadori board last weekend), and have not framed to their own advantage. In other circumstances, the warring parties might seek a compromise, but Mr De Benedetti is a very angry man who needs a victory.

GrandMet raises pre-tax profits by 27% to £732m

By Philip Rawstorne in London

GRAND METROPOLITAN, the food, drinks and retailing group, yesterday emerged from a testing year of acquisitions, disposals, and reorganisation to please the City with a 27 per cent increase in pre-tax profits to £732m ($1,153m).

Concern about the integration of the Pillsbury and Burger King operations, acquired in January this year, was eased by their nine-month contribution to the results. Pillsbury made a trading profit of £168m and Burger King turned in £76m, well ahead of expectations. The shares rose 18p to close at 580p.

"GrandMet's business portfolio is now streamlined, better balanced and with strong management in depth," Mr Allen Sheppard, chairman and group chief executive claimed. "Despite economic uncertainties in the UK, due to its global strength GrandMet faces the current year with well-based confidence."

• Earnings per share for the year ended September 30 grew 18.6 per cent to 55.8p. A final dividend of 11p is recommended, making a total dividend of 17.5p, an adjusted increase of 20 per cent.

Group trading profits rose 48 per cent to £967m on sales revenue of £9.2bn. International Distillers and Vintners led the group's strong organic growth with a 23 per cent rise in trading profit to £389m. Margins improved to 14 per cent from 12.2 per cent.

Wines, spirits and brewing all contributed to this performance, the result of sustained marketing investment — on which GrandMet spent a total £800m last year — behind key brands such as Smirnoff, the world's top vodka brand; J & B whisky and Baileys Irish Cream.

IDV now owns 17 wines and spirits brands selling more than 1m cases and has increased the proportion of brands sold through its own distribution network to more than 80 per cent.

In the beer market, both Websters and Ruddles gained share and the key agency lager brands, Fosters, Holsten, Carlsberg and Budweiser performed strongly, though the disposal of some smaller pubs put pressure on volumes.

Retail trading profits increased 8 per cent to £154m in spite of a setback in the UK pubs where, the company admits, management "took its eye off the ball" during restructuring.

In the US, Pearle strengthened its already dominant position in the eye-care market with the purchase of the Eyelab chain of 71 superstores.

Pillsbury's sales volumes in all divisions are currently running 5 per cent ahead of last year in real terms and two operations, Haagen Dazs ice-cream, and the food services division, have been earmarked for strong expansion.

Property deals contributed £45m to profits after charges of £35m reorganisation costs. Business disposals generated extraordinary profits after tax of £560m, helping to reduce the group's total borrowings — mainly a result of the Pillsbury acquisition — to £3.6bn. Interest costs of £280m are covered 3.5 times. Gearing at 128 per cent should fall to around 80 per cent in the current year.

• Mr Nicholas Ridley, Secretary for Trade and Industry, yesterday gave the go-ahead for GrandMet's sale of the majority of Mecca/William Hill betting offices to Brent Walker after statutory undertakings to ensure the deal would not eliminate local competition.

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Warrant business may return to Japan

By Andrew Freeman in London

JAPAN'S Ministry of Finance (MoF) is actively considering moves which would take London's highly profitable Japanese equity warrant business back to Japan.

It emerged yesterday that senior representatives of leading Japanese securities houses were summoned by the MoF in Tokyo and warned that future US dollar-denominated warrants deals may have to be listed on the Tokyo stock exchange.

This would lift a current bar on issuing foreign currency-denominated warrants in Japan, meaning there would be little advantage to issuing in the Euromarkets. Equity warrant deals are bond issues with warrants attached that give investors the right to own equity in the issuing company at a set price.

The warrants are split from the bonds and traded as separate instruments. They have provided many investors with substantial profits as the Tokyo stock market has continued its long upward run. In an otherwise difficult year for the Eurobond market, equity warrant issues have been extremely profitable.

Over $55bn worth of deals have been launched in 1989, representing around one quarter of total new Eurobond issue volume. Issuance is dominated by the biggest Japanese houses, (Nomura, Yamaichi, Nikko and Daiwa), which allow many other banks to have small participations in their deals.

Even small amounts of the warrant bonds have provided returns to the banks that have offset losses in other areas and allowed some of them to stay in the Eurobond market.

It is understood that the securities houses were told by the Securities Bureau within MoF that the Tokyo listing requirement will be compulsory. No timetable has been laid down, but if the measure is introduced it would prompt issuers to launch their deals in Tokyo.

The Securities Bureau is thought to have told the houses that the listing requirement would increase transparency in the secondary market for warrants. Privately, the houses said the move would be regressive at a time when the trend in the market is away from stock exchanges towards so-called over-the-counter business.

The Securities Bureau is generally thought to represent the views of smaller Japanese securities houses, which have been lobbying hard to gain a share of the lucrative warrant business.

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Fiat to acquire 49% of Maserati

By John Wyles in Rome

FIAT AUTO yesterday moved a step closer to becoming Italy's sole car manufacturer, with the announcement of a manufacturing and marketing agreement with Maserati-Innocenti, which has been limping for more than a decade.

The agreements satisfy Fiat's need for increased manufacturing capacity in the face of strong demand in Western Europe in the last four years.

While pointing to the possible future absorption of the Maserati-Innocenti marques, they also reveal an unusual degree of caution on the part of the Turin group, which rarely accepts a minority stake in a manufacturing joint venture.

Fiat Auto has agreed with Mr Alejandro De Tomaso, who controls Maserati, to accept a 49 per cent stake in a new company, Maserati Spa, which will be responsible for the production of existing and future marques at its plant at Lambrate in Milan, together with a daily output of 150 units of the Fiat Panda.

At the same time, Fiat will take a controlling 51 per cent stake in Innocenti Milano, a new marketing company, which will develop the existing Maserati-Innocenti 170-strong dealer network. Fiat sources suggest that in the future some of the vehicles, which the group is set to manufacture in Poland and the Soviet Union, could be sold through this network.

Maserati has been registering rising losses in the last five years, culminating in a L37bn ($28.4m) deficit last year on a turnover of L200bn. The company is secretive about its production levels, but these are thought to be less than a combined 15,000 units a year of its Maserati high performance car and of the British Mini, manufactured under licence.

Fiat is currently making 300,000 Pandas a year and the addition of another 30,000 is judged necessary to meet demand, especially in its domestic market. The group says production at Lambrate can start early next year without any great overhaul of existing machinery.

Mr De Tomaso exercised an option at the end of September to increase his holdings in Maserati to 83 per cent by buying-out the 32.7 per cent stake in his company held by Gepi, a state holding group with the nominal function of turning around lame ducks.

Charter tightens grip on Johnson Matthey

By Kenneth Gooding, Mining Correspondent

CHARTER Consolidated, the UK industrial holding company in the throes of a shake-up at the hands of Minorco, the South African-controlled investment company, yesterday tightened its grip on Johnson Matthey, the world's biggest platinum refining and marketing organisation.

This followed the resignation late on Wednesday of Mr Eugene Anderson, JM's chief executive and the man credited with guiding the group from near-bankruptcy in 1985 to renewed financial health. Yesterday Mr Neil Clarke, who recruited Mr Anderson, resigned as chairman of JM.

Charter owns 38.6 per cent of JM and receives about one third of its earnings from this source. Now two of its key managers will give up their executive duties at Charter to take senior positions at JM.

Mr David Davies, the former Hill Samuel chief executive who is currently deputy chairman of Charter, will become JM's chairman. Mr Richard Wakeling, acting chief executive and finance director of Charter, will join JM as deputy chief executive.

"Effectively this is a way for Charter to consolidate its control of Johnson Matthey without having to bid," commented Mr Robert Sassoon, analyst with County NatWest. "It should come as no surprise," he added.

These management manoeuvres, and a statement from Charter that it had "no present intention" of either buying or selling JM shares, resulted in the JM price dropping 12p to 369p yesterday while Charter's shares shed 8p to 482p.

Both companies are loosely linked with Mr Harry Oppenheimer's Anglo American Corporation-De Beers mining empire. Minorco, a 60 per cent subsidiary of the South African mining group, owns 36 per cent of Charter. A year ago Minorco, which under chief executive Sir Michael Edwardes has changed from a passive investment company to one which wants "hands on" management of those groups in which it is heavily invested, prompted wholesale management changes at Charter. These included the departure of both the chairman and chief executive.

Subsequently the new Charter management team, in which Sir Michael as non-executive chairman played an active role, dropped heavy hints that it was not completely satisfied with JM's recent financial performance.

Mr Anderson resigned after a board meeting to consider JM's interim figures, announced yesterday, which showed taxable profit up by 6.3 per cent to £33.5m, roughly in line with analysts' expectations.

Veba reports 28% rise

VEBA, the West German energy and chemicals concern, said its group pre-tax profit climbed around 28 per cent in the first 10 months of 1989, AP-DJ reports.

It said 1989 group net income would rise at least 10 per cent to a minimum of DM1.18bn ($668.5m) from DM1.07bn a year earlier.

Mr Klaus Piltz, chairman said 1989 earnings per share will be flat or only slightly higher than a year earlier because the company boosted its share capital by 10 per cent earlier this year.

In the first 10 months, pre-tax earnings rose to around DM1.7bn from DM1.33bn a year earlier, Mr Piltz said.

Group sales advanced 15 per cent in the first 10 months.

Veba confirmed press reports that Merrill Lynch has acquired a 25 per cent stake in Feldmühle Nobel, which could block Veba's attempt to gain control over the group.

Veba has boosted its stake in Feldmühle to 50.001 per cent in recent months from 46 per cent by buying shares from an investment fund, but it cannot take control of the company because of a voting right limitation at Feldmühle.

Mr Piltz said Merrill Lynch has offered its shares to Veba for a price above the current market price, but Veba rejected the offer because it was too high.

Amro in credit card link

By George Graham in Paris and Laura Raun in Amsterdam

CETELEM, the consumer credit subsidiary of the French financial services group Compagnie Bancaire, is to form a joint venture with Amsterdam-Rotterdam Bank (Amro), a leading Dutch bank, to market credit cards in the Netherlands.

The new venture, named LeCard, will market a version of the Carte Aurore distributed by Cetelem in France, a revolving credit card which is co-branded, or issued in conjunction with retailers. Amro will own 60 per cent of LeCard, and Cetelem 40 per cent.

Compagnie Bancaire said the card would probably be dubbed Aurora Card, and would be the first co-branded card in the Netherlands. The Netherlands is viewed as a promising market as credit cards have so far hardly found their way into Dutchmen's wallets. There are only about 500,000 credit cards in issue.

The country has lagged behind most of Europe in the introduction of new payments systems because of satisfaction with the traditional giro clearing system. Bitter battles over who will pay for the new services have also hindered their introduction.

French pop FM station relaunches flotation

By William Dawkins in Paris

NRJ, THE Paris-based cult FM radio station which claims more teenage pop listeners than any other in the country, will today relaunch its flotation on the city's secondary market.

NRJ, France's third largest commercial radio station, had to cancel its flotation earlier this week after being swamped by what its stockbrokers believe was a record oversubscription.

They received applications for 300 times more than the 512,640 shares, 10 per cent of the company's capital, on offer. That means offers were put in for more than 153m shares, worth FFr48.9bn ($8.08bn) at the FFr320 per share offer price.

To try to bring demand back to more realistic levels, NRJ's advisers will reopen the offer today at a higher price, FFr380 per share, valuing NRJ at FFr1.9bn, or 23.2 times this year's forecast net earnings.

The enormous demand is believed to come from a mixture of small investors, listeners, and institutional funds attracted by the rarity of radio station investments on the Paris bourse. Europe 1, which has older listeners and a larger market share than NRJ, is the only other quoted radio station.

NRJ, founded in 1981 at the start of the liberalisation of the French radio industry, now numbers 6m regular listeners.

Seagram ahead

SEAGRAM Company, the drinks group which has a stake of almost 24 per cent in Du Pont, the US chemicals group, moved ahead strongly in the third quarter, writes Robert Gibbens in Montreal.

Third quarter net profit including Du Pont dividends and share of unremitted earnings was US$169.4m, or $1.77 a share, up 19 per cent from $142.4m or $1.46 a year earlier. Excluding the Du Pont earnings, Seagram's net profit equalled $1.05 a share, against 95 cents.

Swedish insurer makes Christmas come early

Robert Taylor on a tax-free gift for policy-holders

TRYGG-HANSA, Sweden's second largest insurance company, is going public today on the Stockholm Stock Exchange in Scandinavia's biggest share issue.

As many as 930,000 Swedes who are policy-holders with the company are about to receive 50m tax-free shares.

These are worth more than SKr200 ($31) each. This amounts to around one in five in the country – and 700,000 of them have never owned any shares.

"You can call it a Christmas gift," says Mr Björn Sprängare, managing director. "There has been almost a national teach-in on the meaning of the flotation with widespread advertising in the press and on billboards.

This is a further and dramatic indication of the growing trend of individual share ownership in Sweden in recent years. In the rapidly changing Swedish financial world the Trygg-Hansa flotation is something to celebrate. However, this is not perhaps the best moment to launch a public company, given the uncertainties of the Stockholm bourse.

However, Mr Sprängare has his eye firmly on the future. "The 1990s will be a completely new era for Sweden's insurance business," he said in the company's prospectus.

"It is increasingly facing the conditions with which Swedish industry has been familiar for many years – exposure to international competition and adaptation to the requirements of customers."

The decision to float Trygg-Hansa stems from the company's desire to raise more risk capital. "The traditional mutual form of ownership does not provide the same freedom of action and capacity for adaptation as does the limited company form," argues Mr Sprängare.

"The mutual form would not be suitable in the future, where success will largely depend on strong and confident action in the financial market, personal commitment and the capacity to take advantage of business opportunities." He wants to see Trygg-Hansa much better equipped to strengthen its position in the competitive domestic insurance market and increase its activities overseas, particularly inside the European Community, where it hopes to purchase commercial industrial insurance companies.

The aim is also to improve the resources of the company to face the challenge of foreign insurance companies operating in the future in Sweden among the country's giant multinationals.

The company has a long way to go before it catches up with the international strength of Skandia, Sweden's largest insurance company, but Mr Sprängare has his sights set high. Moreover, he also wants to see Trygg-Hansa expanding its financial activities beyond insurance.

FIVE-YEAR RECORD (SKr m)	1984	1985	1986	1987	1988
Premiums	3,457	3,634	4,336	4,798	5,102
Profit from insurance	-149	-456	33	-2	136
Operating result	205	-132	483	308	530
Total assets	9,894	10,867	12,183	12,768	14,384

However, the present Swedish laws are rather restrictive, insisting that insurance companies in Sweden can only own a maximum of 5 per cent of companies with business other than insurance.

The law is likely to be changed soon as the Ministry of Finance recognises the distinctions between banking and insurance are becoming increasingly hard to make.

In the three years he has headed Trygg-Hansa he has turned the company from being a rather staid and sleepy concern into a competitive and commercial venture.

"When I first came here people were not talking about profitability but the company as a social institution," he admits.

It is no exaggeration to suggest he has carried out a cultural revolution in the company.

Back in 1986 the company made a loss of SKr133m but in the first eight months of this year it made a profit of SKr757m and a 5 per cent return on equity. Under the flotation the company's policy-holders will receive stock in proportion to the amount of premiums they paid for property and car insurance from 1984 to 1988.

The average policy-holder can expect 55 shares at a total value of SKr6,000. Trygg-Hansa's own employees are also to benefit through the acquisition of convertible loans, repayable by 15 April 1994.

The demutualisation of the company has involved a complex restructuring of Trygg-Hansa with the creation of a holding company.

Trygg life mutual insurance will be the majority owner through a SKr2bn capital injection, with 63.4 per cent of the voting shares and 27.2 per cent of the capital. This safety measure ensures that Trygg-Hansa does not run the risk of losing control of its own creation to any aggressive institution or individual that tries to buy up the individual shares.

The 930,000 policy-holders in Hansa General and Hansa Trafik will provide between them 72.8 per cent of the capital. They will, however, control only 36.6 per cent of the voting shares.

Special legislation was passed to enable Trygg-Hansa to be the first company in Sweden to be linked to the new paperless system known as VPC, Stockholm's central registry of stocks.

Today's flotation has already started to shake up the Swedish insurance scene.

Yesterday Folksam, the Labour movement's insurance group announced a joint financial venture with Sparbanken.

Mr Sprängare is charting Trygg-Hansa into unknown waters but is confident there is no going back. He believes his biggest problem is finding a hall big enough to seat all his shareholders for their first annual meeting next year.

INTERNATIONAL COMPANIES AND FINANCE

Navistar incurs loss in fourth quarter as truck market slides

By Roderick Oram in New York

NAVISTAR yesterday reported a loss for its fiscal fourth quarter and warned of a further deficit this quarter because of declining demand for medium and heavy duty trucks in the North American market.

The Chicago-based company, the largest US truck producer, turned in a net loss of $13m, or 8 cents a share, for the three months ended October 31, against a net profit of $82m, or 28 cents, a year earlier. Revenues dipped to $954m from $1.13bn.

Net profits for the fiscal year plunged to $87m, or 23 cents a share, from $244m, or 84 cents on revenues which were flat at $4.02bn, against $4.08bn. Its heavy truck shipments fell 9 per cent to 38,000 and medium trucks fell 5 per cent to 50,000.

Industry shipments of medium trucks fell 8 per cent to 42,000 during Navistar's fiscal fourth quarter from a year earlier and orders fell 25 per cent. Heavy truck shipments fell 8 per cent to 40,000 and orders dropped 31 per cent.

Profit margins came under increased pressure, preventing Navistar from passing on higher costs for some purchased components.

Navistar forecast the industry will ship 157,000 to 160,000 medium trucks in the company's fiscal 1990 year, down 2 to 4 per cent from last year. It will ship 138,000 to 155,000 heavy trucks, down 8 to 18 per cent.

As business weakened this year, Navistar cut its production rates, which stood at a record 438 trucks a day in the second quarter. They were reduced by 9 per cent in the third quarter and 15 per cent to 338 units a day in the fourth quarter. As a result, inventories were in line with current demand, it said.

Navistar's results were also hurt by the cost of assimilating 27 new truck models into its range. Over the past two years it has overhauled 85 per cent of its product line.

In addition, shipments of diesel engines to other equipment manufacturers fell 3 per cent in the quarter, but for the full year rose 12 per cent to a record 106,700 units. Sales of spare parts dipped 2 per cent in the quarter but were flat for the year.

Mr James Cotting, chairman, said the company has begun programmes to reduce the cost of components, both those produced internally and, through design changes, those sourced outside.

Fluor recovery continues

By Karen Zagor in New York

FLUOR, one of the world's biggest international engineering and construction services groups, yesterday consolidated its recovery by reporting strong profits for the fourth quarter and year.

For the three months ended October 31, net income rose 23 per cent to $29.1m from $23.6m the previous year. Earnings per share advanced 20 per cent to 36 cents. Revenues in the period were up only 4 per cent to $1.67bn from $1.61bn.

The Irvine, California-based company, which was in the red as recently as 1987, saw net earnings for 1989 leap more than 90 per cent to $108.5m or 1.35 from $56.4m or 71 cents a year ago.

Extraordinary items accounted for a gain in net earnings of 11 cent a share in the recent year's earnings. Revenues jumped 22 per cent to $6.23bn from $5.13bn in 1988.

Wharf rises 9.5% after 'difficult conditions'

By John Elliott in Hong Kong

WHARF HOLDINGS, the Hong Kong property, hotels and transport group controlled by Sir Yue Kong Pao's World International Holdings, yesterday unveiled increased profits for the half year.

The group reported interim profits for the period to September 30 of HK$581.1m (US$74.37m) after taxation but before extraordinary items. This was 9.5 per cent above HK$530.5m in the same period last year.

Profits after unspecified extraordinary items rose 10.8 per cent to HK$592m, while turnover jumped 29.7 per cent to HK$1.57bn.

The company, headed by Mr Peter Woo, the chairman, who is a son-in-law of Sir Yue Kong Pao, said "economic implications" arising from the June events in China had an "adverse effect on the group's operations."

Wharf's Hong Kong hotels had experienced "difficult trading conditions" but, in recent months, there had been a recovery in the colony's property market.

Wharf bought the US Omni Hotel chain from Aer Lingus 18 months ago. It said yesterday that the group's 41 hotels under franchise or management arrangements produced satisfactory operating results.

Wharf is now leading a consortium called Hong Kong Cable Communications, which has won licences for Hong Kong's first cable television service. Along with property developments, this is its biggest new venture in the colony, where 90 per cent of its assets are based.

An interim dividend was declared of 30.8 cents per share, up from 28.2 cents last time. Wharf is 40.1 per cent owned by World, whose interim results will be published today.

New York publisher restructures

By Anatole Kaletsky in New York

McGRAW-HILL, the big New York publishing and information group, has announced a restructuring which would reduce its staffing levels by 1,000 full-time positions and cost the company $220m in special charges.

The restructuring programme came as no surprise, although the company went through a major management reorganisation only last year.

Some Wall Street analysts had expected a more aggressive programme of asset disposals and responded without enthusiasm to the company's moves.

The main measures include asset write-downs in its General Books and Data Resources economic forecasting divisions, and cuts in headquarters staffing. Some of the staff savings would be achieved by a realignment in the structure.

The present three companies – McGraw-Hill Publishing, Financial Services and Information Services – would be abolished and replaced with a single management system, the company said.

US bank to cut problem assets

FIRST Interstate Bancorp, the US West Coast-based banking group, is setting up a programme to step up the disposal of problem assets at its Texas affiliate, AP-DJ reports.

As part of the programme, the company said it would add $400m to its reserves, including a $300m provision in connection with the implementation of the asset disposal programme of its Texas bank.

First Interstate said that to maintain its equity capital position, it was planning to raise about $400m of additional capital through an offering of 7.8m common shares.

Shearson faces Amexco review

By Janet Bush in New York

AMERICAN Express yesterday confirmed that it was reviewing a number of options with Shearson Lehman Hutton, its brokerage subsidiary, and Nippon Life Insurance, which has a 13 per cent stake in Shearson.

There has been a flurry of speculation over the past two days surrounding Shearson, 61 per cent owned by American Express, centring on a substantial recapitalisation of the brokerage.

American Express also confirmed yesterday that it was in discussions with Mr Ronald Perelman, chairman of Revlon Group, reported to be interested in taking a stake in Shearson.

American Express said: "Mr Perelman is one of the options."

The company would only say yesterday that the current talks were consistent with two of its objectives.

First, American Express wanted to help Shearson reaffirm its credit rating. Moody's Investors Service last month put Shearson under review for a possible downgrading of its $6bn in outstanding commercial paper.

A downgrading in its commercial paper, a crucial tool for short-term borrowing to fund trading activity, for example, would mean substantially higher borrowing costs for Shearson and undermine its profitability.

Moody's has made clear that it believes Shearson has a severe capital shortage, although it has declined to give a figure. There is speculation that Moody's has told Shearson privately it must add $750m in new capital to avoid being downgraded by the rating agency.

American Express' second objective, long known, is to cut its stake in Shearson to below 50 per cent.

The company declined to comment on, but did not deny, a report in the Wall Street Journal that it planned to pump between $700m and $1bn into Shearson and that plans included the public sale of between 10m and 22m new Shearson shares and an investment of about $300m by American Express.

It also declined to comment on a report that Mr Perelman was discussing buying a 9.5 per cent stake in Shearson for around $250m.

Shearson has had a very difficult two years since it bought the ailing Wall Street brokerage E.F. Hutton just after the October 1987 Crash. It has found it difficult to absorb the costs involved in that merger at a time when trading volume in securities markets was in the doldrums.

Last month, Shearson announced the cutting of 800 jobs, a management shake-up and cuts in brokers' commissions.

Bond shares in pre-deadline rise

By Bruce Jacques in Sydney

THE BOND group, headed by Mr Alan Bond, the troubled Perth businessman, saw shares rally in some of its key listed companies yesterday ahead of two important deadlines.

Today is the next designated deadline for Bond to begin formally the complex sale of its beer interests to Lion Nathan, the New Zealand brewer.

There was also speculation that the West Australian State Government Insurance Commission (SGIC) may issue a statement on its bitter indemnity dispute with the Bond group.

Shares in the flagship company, Bond Corporation, rose 5 cents to 20 cents on Australian stock exchanges.

Bond Media, the subsidiary, also put on 5 cents to 17 cents, to close 7 cents above the value implied in Mr Kerry Packer's foreshadowed share-swap bid for the company. But shares in Bell Resources, another subsidiary, fell 5 cents to 40 cents, suggesting that the possibility of a takeover bid for the company has receded even further.

The proposed first step of the brewery sale deal today is for Bond Corporation to register formal documents for a bid of A$1.60 (US$1.25) a share for Bell Resources.

The deadline for registration has now been put off five times.

But Bond and Lion Nathan have been negotiating on possible changes to the deal and an announcement is expected today.

Speculation is that the deal will either be abandoned or substantially changed, with the stated $A2.5bn price tag reduced and the bid for Bell Resources probably dropped. Both Bond and Lion were confident yesterday that a deal would proceed.

Meanwhile, the SGIC has foreshadowed possible wind up proceedings against Bond Corporation over a disputed indemnity it received from the company.

Bond gave the SGIC the indemnity over a 19.9 per cent interest in Bell Group, the Bond subsidiary, under a complex arrangement last year when the company was sold by Mr Robert Holmes à Court.

The SGIC is claiming it is owed up to $A150m under the deal, but Bond has already lodged court proceedings disputing the validity of the indemnity.

This could mean that any wind-up proceedings launched by the SGIC against Bond may have to await the outcome of the earlier court action.

Cash help for MeraBank

By Roderick Oram

PINNACLE WEST, the deeply troubled Arizona holding company, has agreed with federal regulators to inject $450m of fresh capital into MeraBank, its debt-ridden savings and loans subsidiary.

The sum – $300m in cash and the balance in a 12-year note – is some $80m less than demanded by regulators and far short of the level needed to restore the Phoenix-based subsidiary to some semblance of financial health, analysts estimate. MeraBank was hit hard by bad property loans.

The infusion meets, though, a crucial condition of a takeover offer Pinnacle West has received from PacifiCorp, an electric utility holding company serving seven western states. PacifiCorp has bid $1.8bn for Pinnacle West, aiming to divest MeraBank and keep Pinnacle West's Arizona Public Service utility. Pinnacle West has yet to respond to the offer.

The new cash for MeraBank is coming from a credit facility arranged by a group of banks including Citibank and Chase Manhattan. The facility is secured against the $2bn equity of the utility, a move which might complicate PacifiCorp's offer for Pinnacle West.

The 12-year note will be unsecured and the infusion will be completed by March 31.

Fresh capital will help MeraBank's problems, which along with troubled ventures in uranium mining, real estate and venture capital, have dragged down Pinnacle West.

Varity boosted by engine side

By Robert Gibbens in Toronto

VARITY Corporation, the Toronto-based farm and industrial machinery group, lifted profits in the first nine months to US$58.4m, or 22 cents a share.

The figures were up from $53.7m, or 21 cents a year earlier, mainly due to a strong performance by the Perkins engine subsidiary and the Massey-Ferguson farm equipment division.

Sales in the latest period ended October 31 were $1.59bn, down from $1.66m, because of a decline in volume by the car components division.

Long-term debt was reduced to $304m, down $125m from a year earlier and the lowest level since 1971.

NZ futures trade back to normal after default

TRADE ON the New Zealand Futures Exchange has returned to normal after falling off steeply two weeks ago following a member default, according to Mr Len Ward, the exchange's managing director, Agencies report.

Good trading volumes in the December and March five-year government bond contracts and the 90-day bank bill contract had been recorded in the last few days, Mr Ward said. He added that trade had stabilised.

Open interest in the December government bond contract has been more than halved but Mr Ward stressed this was to be expected given the forthcoming expiry of the contract, on December 13.

Overseas experience of similar default problems suggested that overall confidence in the market could be damaged, Mr Ward said. However, recent evidence indicated "confidence in the fundamental credibility of the market remains high."

The New Zealand Government is due to pass a bill soon, similar to the UK's Financial Services Act, which will provide tougher oversight of the country's markets.

NZFE members will meet on December 18 to consider expelling Jordan Sandman Futures, a member firm which suffered a client default of about NZ$7m (US$4.2m). It is currently suspended from trading.

An exchange official said it would not conduct a formal investigation into the default of Jordan Sandman clients or of Westpac, the Australian bank also caught up in the debacle. A client default has cost Westpac between NZ$10m and NZ$20m.

The London-based International Commodities Clearing House (ICCH) is close to completing an arrangement with the Sydney Futures Exchange on continued provision of some services for the exchange's own clearing system.

The new system will involve members of the Sydney market contributing to their own guarantee fund, rather than drawing on the resources of the ICCH.

The ICCH sent a letter to members stressing its financial integrity had not been affected by the debacle in the NZ futures market.

"We met all our obligations and covered all payments due to members," it said.

Japan allows banks direct access to money market

By Robert Thomson in Tokyo

ALTHOUGH the Bank of Japan says the restrictions have never existed, foreign bankers believe that with a wink and a nod the central bank has approved direct interbank dealing in the short-term money market, a significant advance in the reform of the country's financial system.

US and European government officials have long complained about "administrative guidance" that has prompted foreign and Japanese banks to use brokers known as "tanshi," while the BoJ has argued it gives no guidance and imposes no restrictions on direct dealing.

According to a foreign official who has attended a bilateral meeting on the matter: "We say we want the restrictions lifted and the bank people say that there are no restrictions."

Nevertheless, banks have found it prudent to use the tanshi, which have traditionally allowed the central bank to exercise control over the short-term money market even though the BoJ does not want to be seen to be exercising tight control.

In return the tanshi receive a 0.04 to 0.0625 per cent commission on interbank transactions.

A BoJ official maintained that "we have never had a regulation prohibiting direct dealing for private banks," but a senior colleague added that the bank "appreciates" the use of the brokers.

However, he said the bank also appreciated the concern of foreign governments and institutions over financial system reform and he indicated there had been a policy change.

"We appreciate people using the tanshi, but that does not mean we don't want to see people in the market dealing on a direct basis. We have become more and more sensitive to foreign banks' needs.

"I think we have come to put a little more international consideration into money market activities."

That translates into a change of direction. A British bank representative said if that was indeed the case, "it is something we have wanted for a long time and represents a move towards a more western style of interbank market."

He added it should give foreign banks a more level playing field.

But foreign bankers caution that the test of the BoJ's intentions will be whether Japanese banks consistently make funds available for direct deals, as a lack of funds would suggest the central bank was still exercising control.

The tanshi have traditionally been well-stocked with former BoJ officials, and so it was thought that their influence on the central bank had slowed reform.

An official for the Association of Tanshi Companies said that if the BoJ allowed unfettered direct dealing "it would be a big change for us.

"I think foreign banks would continue to use us because they don't have a good enough network for fund collection on their own. They will ask special brokers like us to do it for them."

A representative of a European bank stressed that some foreign banks were likely to continue to use the tanshi for convenience, but he argued that they were already capable of handling the paperwork that accompanies direct dealing in Japan.

He said the changed rules of the game were likely to apply gradually to Japanese city, regional and agricultural banks, as "this is a step in a series of steps."

The tanshi were created with the advent of the modern Japanese money market in 1902. Six companies have been licensed in perpetuity by the Ministry of Finance.

MoF to tighten accounting standards

JAPAN'S Finance Ministry is considering setting new corporate accounting standards for financial futures and options trading to ensure more accurate disclosure, Reuter reports.

The move is designed to protect investors from risk should companies hide big losses on growing futures and options trading. Under the new standards companies would have to report potential profits or losses from unsettled futures and options positions based on market prices at the end of regular business terms.

Companies now have to report profit or loss only after futures and options positions are settled. There is no indication when the standards will be introduced.

● The Tokyo International Financial Futures Exchange is planning to develop a computerised trading system in 1990, although the exchange has no plans for extending trading hours, partly because of staffing problems.

The exchange is waiting for discussions on unification of the Globex and Aurora computerised trading systems to be completed.

Multi-currency Euro-paper loan for Sumitomo

By Rachel Johnson

SUMITOMO Corp, the Japanese trading company, has appointed J.P. Morgan to arrange a $500m multi-currency Euro-commercial paper programme for its financial arm, Sumitomo Corporation Overseas Capital.

Standard & Poor's, the credit rating agency, gives the programme an A1 rating while its rival, Moody's, gives it Prime 1.

Dealers to the programme are Citicorp, Daiwa Europe, J.P. Morgan, Swiss Bank Corporation, and UBS Phillips and Drew.

● Gallaher Limited, the international group involved in tobacco, optics, retail distribution and housewares, has signed a £250m financing agreement with a group of 15 UK and international banks.

The facility will be used to finance the group's commercial activities and expansion. The loan has an interest margin of 0.015 percentage points.

● Banca Commerciale Italiana and Sige Capital Markets have arranged an Ecu67.5m loan on behalf of RadioTelevisione Italiana of Rome. Five Italian banks with London offices have been allotted Ecu13.5m each.

● Morgan Grenfell has announced a £42m debt financing arrangement for Trinity Park, an office development in Birmingham. Long Term Credit Bank of Japan and the Mitsubishi Bank have participations of £12.5m while Mitsui Trust has one of £5m.

The development is a joint venture. It comprises 10 office units and is located adjacent to Birmingham International Airport. The loan financing — secured against the property — will be repayable as units are finished and sold.

Advisers to NZ sell-off appointed

THE New Zealand Government has appointed Ord O'Connor Grieve, a local investment bank, and Baring Brothers Burrows & Partners of Australia as advisers to its public flotation of the State Insurance Office, Reuter reports.

The Government announced the flotation of the State Insurance Office last month. It hopes to raise at least NZ$500m (US$297m).

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on December 7

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Alberta 8⅝ 96	750	100¼	100⅝	-0⅛	-0⅛	8.53
Alberta 9⅞ 95	600	103⅞	104⅜	-0¼	+0⅛	8.45
Austria 9½ 93	140	†103⅛	103⅝	-0⅛	+0⅛	8.38
B.F.C.E. 8⅜ 94	175	99½	99⅞	-0⅛	-0⅛	8.46
B.F.C.E. 9¼ 95	150	103⅛	103⅝	-0¼	0	8.50
Brit. Tel. Fin. 9⅞ 98	250	103⅝	104⅛	-0⅛	-0⅛	8.73
Canada 9 96	1000	103⅝	104⅛	-0¼	0	8.19
C.C.C.E 9¼ 95	300	103	103½	-0⅛	-0⅛	8.44
C.N.C.A 9⅞ 93	150	†102	102½	-0½	0	8.64
Credit National 8⅞ 93	200	†99½	100	-0⅛	0	8.31
Credit National 7⅞ 92	100	97⅞	98⅛	-0⅛	0	8.36
Credit National 9½ 92	160	†102¾	102⅞	-0⅛	0	8.53
Dai-Ichi Kan 9⅝ 92	150	102⅜	102⅞	-0⅛	0	8.55
Denmark 8⅞ 94	150	98¾	99¼	-0⅛	+0⅛	8.50
E.E.C. 7 91	100	97⅛	97⅜	-0⅛	-0⅛	8.42
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.31
[illegible]	150	[illegible]	[illegible]	[illegible]	[illegible]	8.56
Eurofima 10⅛ 93	100	†104⅝	105	0	+0⅛	8.38
Elec. De France 9 98	200	102⅞	103⅛	-0⅛	-0⅛	8.51
Elec. De France 9⅞ 99	200	†105⅛	105⅝	-0⅛	-0⅛	8.64
Finland 9 96	250	†102	102½	-0⅛	-0⅛	8.51
Fin. Exp. Cd. 8½ 92	200	100	100⅝	-0⅛	0	8.40
Fin. Exp. Cd. 9⅛ 95	200	†103½	104	0	0	8.53
Ford Motor Credit 0 91	250	†98⅞	99⅜	-0⅛	-0⅛	8.69
Gen. Elec. Cap. Corp. 9 93	500	†101⅞	102⅜	-0⅛	0	8.42
Gen. Elec. Cap. Corp. 10 1/2 93	300	†102	102½	-0⅛	-0⅛	8.50
G.M.A.C. 9 96	300	100⅝	101	-0¼	0	8.83
Gen. Mtrs. Corp. 9⅛ 92	200	101⅛	101⅝	-0⅛	+0⅛	8.42
IBM Credit Corp. 8⅝ 92	400	100⅛	100⅝	-0⅛	+0⅛	8.41
IBM Credit Corp. 8⅝ 91	250	100⅝	101⅛	0	+0⅛	8.34
IBM Credit Corp. [illegible]	250	†101⅛	102	-0⅛	+0⅛	8.19
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price change... On day -0⅛ on week +0⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Canada 6⅛ 91	80	99⅞	100⅛	0	0	6.09
Canada 5⅛ 93	80	98¾	99⅛	0	0	5.97
Eurofima 5 1995	20	95½	96	+0⅛	+0⅛	5.94
E.I.B. 4⅛ 93	30	96½	96¾	+0⅛	+0⅛	6.04
Ireland 5⅛ 93	30	96½	97	+0⅛	+0⅛	6.20
Norway 5⅛ 95	50	96⅞	97⅛	0	-0⅛	5.79
Sweden 4⅛ 93	50	95⅛	96	+0⅛	+0⅛	5.98
World Bank 5⅛ 98	10	95⅛	95½	+0⅛	+0⅛	5.86
World Bank 7 94	20	103⅞	104⅛	0	+0⅛	5.92

Average price change... On day +0 on week +0

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey Nat. 10⅛ 94 C$	150	96⅛	96⅝	0	+0⅛	11.21
Abbey Nat. 11⅛ 93 £	100	95½	96	0	-0⅛	13.32
Aegon 7⅝ 92 Fl	100	100⅜	100⅞	0	+0⅛	7.86
Alg. Bk. Ned. 5⅞ 93 Fl	200	93	93½	0	0	8.17
Austria 7½ 94 ECU	100	93⅞	94	0	0	9.35
Barclays Aus. 13½ 91 A$	100	97⅞	98	0	+0⅛	14.98
Belgium 8⅞ 94 Ecu	150	95⅞	95⅞	+0⅛	+0⅛	9.41
Bell Canada 10⅞ 04 C$	200	101	101⅛	+0⅛	-0⅛	10.69
BP Capital 9⅞ 93 £	100	91⅛	91⅝	0	-0⅛	13.04
British Airways 10 98 £	100	88⅛	89	-0⅛	-0⅛	12.22
Brit. Telecom 9½ 93 £	150	91⅛	91⅜	+0⅛	0	12.81
Comm. Bk Aust. 12¼ 93 A$	100	†93⅛	93⅝	0	0	15.13
Comm. Bk Aust. 13¼ 94 NZ$	60	†104	105	0	0	12.38
Credit Foncier 9 96 Ecu	100	97⅛	98⅛	+0⅛	-0⅛	9.40
CrLocalFrance 9¼ 92 Ecu	100	99	99⅛	+0⅛	-0⅛	9.55
Deut. Bk. Aus. 13⅞ 93 A$	125	†96⅛	96⅝	-0⅛	+0⅛	14.59
Deutsche Bk. Fin. 15 94 A$	100	†102⅛	103	-0⅛	-0⅛	14.04
Elec. De France 9⅛ 99 C$	150	95	95½	-0⅛	-0⅛	10.54
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DEUTSCHE MARK STRAIGHTS: [illegible]

SWISS FRANC STRAIGHTS: [illegible]

FLOATING RATE NOTES: [illegible]

CONVERTIBLE BONDS: [illegible]

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (three-month; above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date of conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

INTERNATIONAL CAPITAL MARKETS

Gilts trading volume again driven by swaps business

By Rachel Johnson in London, George Graham in Paris and Janet Bush in New York

SUDDENLY, activity in the UK government bond market is once again being driven by swaps business. Retail interest remains minimal.

After the High Court ruled in November that Hammersmith and Fulham's currency and interest rate swaps were *ultra vires*, banks were left with an estimated £500m exposure to local authority transactions.

GOVERNMENT BONDS

On the day of the ruling, the gilts market lost a point – either because the banks that had bought gilts to hedge fixed-rate positions sold them, or the market anticipated the shedding of gilts.

However, recent activity suggests that not all banks holding gilts to hedge "exotic" transactions with local authority counterparties have sold out in advance of the outcome of the banks' appeal in January next year.

Almost all the gilts trading in London over the past few days – except, possibly, one sale by a Middle Eastern client which ran to nine figures – has been as a result of swap transactions of some sort.

The upshot has been a market gain of almost ½ point. The benchmark Treasury 9 per cent due in 2008 put on ⅛ to reach 92.

Some traders are saying that yesterday's activity is mostly derived from a bout of interest rate speculation.

"In the last few days there has been a lot of activity. Fixed and floating rates are being bought, which shows the views about interest rates are swinging both ways," said one house.

However, this is not a consensus view.

On Wednesday, when the market fall a point, it was rumoured that banks were still unwinding outlawed swap positions with gilt sales.

BENCHMARK GOVERNMENT BONDS

	Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS	13.500	9/92	103-11	+4/32	12.03	12.00	11.80
	9.750	1/98	93-18	+7/32	10.96	10.90	10.69
	9.000	10/08	92-00	+14/32	9.95	9.95	9.77
US TREASURY *	7.875	11/99	100-02	+3/32	7.92	7.90	7.97
	8.125	8/19	102-12	-1/32	7.91	7.90	7.96
JAPAN No 111	4.500	6/98	94.6342	-0.247	5.53	5.47	5.59
No 2	5.700	3/07	101.6255	-0.193	5.45	5.46	5.48
GERMANY	7.000	9/99	98.2000	-0.300	7.26	7.25	7.26
FRANCE BTAN	8.000	10/94	94.1622	-0.142	9.55	9.61	9.70
OAT	8.125	5/99	94.1500	-0.540	9.05	9.11	9.11
CANADA *	9.250	12/99	97.3000	0.175	9.68	9.69	9.49
NETHERLANDS	7.250	7/99	96.6300	-0.190	7.75	7.75	7.73
AUSTRALIA	12.000	7/99	93.6424	-0.229	13.18	13.09	13.42

London closing, *denotes New York morning session. Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

■ IN Sweden, the 1 point hike in the discount rate to 10.5 per cent had the effect of depressing yields on government bonds. Traders at James Capel in London were taking the news as a strong indication that interest rates would stay high for some time. This caused bonds, which are only measured in yield terms, to move downwards.

Ten-year bonds went from 12.65 to 12.57 per cent, while the most liquid benchmark, five-year 11.5 per cent, dropped 16 basis points to reach 12.80.

■ THE French Government yesterday sold FFr7.02bn of bonds at its regular monthly auction, at prices fractionally above secondary market trading.

The auction takes total net funding by the Government in the franc bond market this year to FFr100.6bn.

This figure may be increased, however, by non-competitive bids submitted after the auction by primary dealers, or reduced if bidders in the auction have chosen to offer existing renewable Treasury bonds (OATs) instead of cash for their purchases.

In addition, France has this year raised Ecu1.65bn from an eight-year tap stock denominated in the European currency unit, the OAT Ecu8.5 per cent 1997.

Yesterday's auction focused on the 10-year fixed rate OAT 8.125 per cent 1999. The Government served FFr3.77bn of the FFr6.45bn bids lodged, at a cut-off price of 94.60. This gives a weighted average yield of 8.98 per cent, 2 basis points higher than at last month's auction but slightly below recent market yields.

■ US Treasury bonds slipped modestly yesterday amid nervousness about interest rate policy and caution ahead of today's November employment report.

At midsession, the Treasury's benchmark long bond was quoted ⅛ point lower for a yield of 7.91 per cent. Short-dated maturities were up to ⅛ point lower, reflecting some renewed pessimism about whether the US Federal Reserve will ease monetary conditions soon.

The bond market reacted negatively to Wednesday's publication of the Fed's latest Tan Book, a monthly economic situation report which said that the economy was stable to modestly expanding.

This was a more bullish assessment than many felt was justified by recent economic figures.

French bourse backs guarantee fund plan

By George Graham in Paris

THE French stock exchange council has agreed plans for a new guarantee fund aimed at indemnifying investors if their stockbroker goes bankrupt.

Mr Régis Rousselle, the council's chairman, said yesterday the fund, which is subject to Finance Ministry approval, would be built up to FFr500m ($83m) and should cover almost all investors.

The plans provide for a guarantee of up to FFr200m for any bankruptcy. Each client would be covered for up to FFr500,000 in cash deposits and up to FFr2.5m of securities deposited with the broker.

The fund will be created with contributions from stockbrokers, but could call on the exchange itself for funds in case of an emergency. It will be managed independently from the exchange, possibly by a leading financial institution like the Caisse des Dépôts.

The new guarantee fund represents a determined effort to formalise the French stock exchange's investor protection mechanisms, which have in the past been at the root of some of its worst problems.

Mr Rousselle took over as chairman of the exchange two years ago after the resignation of his predecessor, Mr Xavier Dupont, following the revelation that the exchange had lost FFr614m from its reserves by trading uncovered futures positions.

Since then the exchange has had to provision heavily for the failures of three member firms, Buisson, Baudoin and Rondeleux.

However, in the past the "guarantee" was a vague and unlimited promise to reimburse stockbrokers' clients in the event of a failure.

The new formula may not satisfy all parties. Mr Rousselle acknowledged yesterday that the guarantee fund was destined largely for the half dozen brokers who remained independent; some brokers owned by leading banks are reluctant to contribute heavily to the new fund as they feel their clients are already protected by their shareholders.

Issue activity patchy as secondary trading stays in doldrums

By Andrew Freeman

EUROBOND markets sew patchy business yesterday, with syndicate managers bringing many targeted deals for a variety of issuers.

With the exception of the Ecu sector, where interest remained steady, secondary markets were quiet and traders reported low turnovers.

INTERNATIONAL BONDS

Late in the day, Bankers Trust launched a fungible Ecu50m issua for Swedish Export Credit, adding much-needed liquidity to a successful existing Ecu100m deal. The new paper sold almost immediately, mostly written down to investors at 100½, a discount equivalent to full underwriting fees and in line with the existing bonds.

Three convertibles emerged. Morgan Stanley brought a $75m 15-year deal for FMC Corporation convertible into the company's precious metals subsidiary. The bonds were quoted at 99½ bid, well inside 2½ per cent full fees. Traders said the paper was well-priced, although final terms have not yet been set. Morgan Stanley said the bonds offered investors a bullish play on gold in addition to a current yield.

UBS Phillips & Drew issued a £40m Eurosterling convertible for Hickson Capital, offering investor put options in order to attract international interest. The paper was trading at 99½ bid, just below the par issue price. Of the deal, £28m is subject to existing shareholders' clawback.

In an otherwise quiet Swiss market, Banca della Svizzera Italiana was the lead manager of a SFr70m deal for Footwork Corporation, the Japanese parcel delivery and mail order company. The bonds offered no coupon but met a good reception, and were quoted away from the lead manager at a 1½ point premium to the par issue price.

Elsewhere, Kansallis-Osake-Pankki (KOP) made a rare foray as lead manager, bringing a $100m floating-rate note issue for United Paper Mills.

The notes carried a yield of 15 basis points over six-month Libor and were trading on full fees at 99.60 bid. A KOP official said the deal was going relatively slowly because many banks were unfamiliar with the borrower as a credit.

● Cedel, the Luxembourg-based clearing organisation, announced that from December 18 it will be offering settlement and custody services for about 500 Japanese equities.

● An internal reorganisation at Société Générale's London operations will result on Monday in market making in German stocks passing from the group's merchant bank to its securities arm, Strauss Turnbull.

This is part of the bank's move to rationalise the operations of the two units, although it has stopped short of wholesale restructuring.

Strauss Turnhull, which already makes markets in Dutch stocks and began in UK equities two months ago, plans to offer "a comprehensive market-making service in major European shares," said Mr Peter Hogarth, chief executive.

London has 19 market makers in German stocks, with an average of 17 quoting firm prices in each stock.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Flash Ltd. Series K†◆	30	(d)	100.10	1993	10/8bp	Sanwa Int.
FMC Corp.§	75	(6¼-6¾)	100	2005	2½/1½	Morgan Stanley Int.
Long Term Cr.Bk.of Japan◆	100	9	101.85	2000	2/1¼	LTCB Int.
United Paper Mills†◆	100	(i)	100	1995	25/15	Kansallis-Osake-Pankki
Issue update:						
Dainippon Screen Manu.◆◆(g)	200	2⅞	100	1993	2¼/1¼	Yamaichi Int.
Nippon Oil Co. Ltd◆◆(f)	500	2¼	100	1993	2¼/1¼	Nomura Int.
AUSTRALIAN DOLLARS						
PK-Banken◆	70	9	94.80	1990	1/½	Bque.Paribas Cap.Mkts.
YEN						
PK-Banken◆	10bn	(c)	101⅞	1992	1⅞/⅝	Mitsubishi Finance Int.
Flash Eleven Ltd.◆	1.44bn	8½	101⅝	1993	1⅞/⅝	Sanwa Int.
Forsmarks Kraftgrupp◆	10bn	6¾	101.275	1992	1⅞/⅝	IBJ Int.
Banca di CRT(Cayman)◆	15bn	8⅞	101⅛	1995	1⅞/1¼	Nomura Int.
D-MARKS						
Issue update:						
Daiwa Danchi Co.◆◆	300	1⅞	100	1993	2¼/1¼	West LB
Tobu Stores Co.◆◆(h)	150	1⅞	100	1993	2¼/1¼	Dresdner Bank
SWISS FRANCS						
Footwork Corp§(a)	70	0	100	1994	n/a	Banca Svizzera Italiana
Issue update:						
Sekisui Jushi Corp.◆◆§(b)	80	0	100	1994	n/a	Nomura Bank (Switz)
Daiwa Danchi Co.◆◆§(e)	250	0	100	1994	n/a	UBS
Nippon Yusen K.K.◆◆§	300	1¼	100	1994	n/a	Credit Suisse
STERLING						
Hickson Capital Ltd.§(i)	40	(9¼-7¾)	100	2004	2¾/1½	UBS Phillips & Drew
ECUs						
Swedish Export Credit◆(j)	50	9¾	102⅝	1994	1⅞/1¼	Bankers Trust

◆Final terms. ☆☆Private placement. †Floating rate note. ◆With equity warrants. §Convertible. a)Indicated put to yield 3.202%. b)Put to yield 3.425%. c)First coupon at 3-month Yen Libor plus ⅛, subsequent coupons will be tied using a formula linked to Nikkei-Dow Jones Japanese Stock Market index. d)6-month Libor plus 18bp. e)Put to yield 3.412%. f)Coupon cut by ⅝. g)Coupon cut by ½. h)Coupon fixed as indicated. i)Semi-annual coupon. Put after 5 and 19 years at 50bp over 5 year gilt. j)Fungible with Ecu 100m deal launched 20/11/1989.

Nasdaq to trade NYSE listed shares in London

By Stephen Fidler, Euromarkets Correspondent

NASDAQ, the screen-based trading system of the National Association of Securities Dealers, intends to open a market in London in shares listed on the New York Stock Exchange.

Nasdaq said earlier this year it would extend its system in London by opening trading at 9am London time, 4am in New York.

It added it would list 300 to 400 issues as eligible to trade, some of which would also be listed on the LSE.

Mr Joseph Hardiman, Nasdaq president, said in London yesterday that the exchange intended, subject to approval by the Securities and Exchange Commission and the UK Department of Trade and Industry, to add out-of-hours trading in New York and American Stock Exchange issues to the system.

Initially this would mainly be aimed at the 40 American depositary receipts traded on the NYSE or the half dozen traded on Amex. Trading will end before the opening of the New York exchanges, so permission to trade their issues is not necessary.

The action will be viewed as a competitive move against both the NYSE and the LSE, although Nasdaq says it will have little effect on London's Seaq International service. Only about 5 per cent of trading on Seaq International is accounted for by trading in US stocks, although London trading in American issues is heavier than implied by that because much of the market is telephone-based.

Nasdaq hopes to make the expansion towards the end of next year's third quarter. At present, although several thousand screens in London are equipped to receive Nasdaq prices, only two or three dealers have the capacity to deal through the system. The establishment of a computer node in London will ease trading.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Thursday December 7 1989 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%))	Est. P/E Ratio (Net)	xd adj. 1989 to date	Wed Dec 6 Index No.	Tue Dec 5 Index No.	Mon Dec 4 Index No.	Year ago (approx.) Index No.
1 CAPITAL GOODS (205)	[illegible]									
2 Building Materials (28)	[illegible]									
3 Contracting, Construction (37)	[illegible]									
4 Electricals (10)	[illegible]									
5 Electronics (30)	[illegible]									
6 Mechanical Engineering (53)	[illegible]									
8 Metals and Metal Forming (6)	[illegible]									
9 Motors (17)	[illegible]									
10 Other Industrial Materials (24)	[illegible]									
21 CONSUMER GROUP (185)	[illegible]									
22 Brewers and Distillers (23)	[illegible]									
25 Food Manufacturing (20)	[illegible]									
26 Food Retailing (15)	[illegible]									
27 Health and Household (14)	[illegible]									
29 Leisure (35)	[illegible]									
31 Packaging & Paper (14)	[illegible]									
32 Publishing & Printing (16)	[illegible]									
34 Stores (32)	[illegible]									
35 Textiles (14)	[illegible]									
40 OTHER GROUPS (95)	[illegible]									
41 Agencies (17)	[illegible]									
42 Chemicals (22)	[illegible]									
43 Conglomerates (14)	[illegible]									
45 Shipping and Transport (13)	[illegible]									
47 Telephone Networks (2)	[illegible]									
48 Miscellaneous (27)	[illegible]									
49 INDUSTRIAL GROUP (485)	[illegible]									
51 Oil & Gas (15)	[illegible]									
59 500 SHARE INDEX (500)	[illegible]									
61 FINANCIAL GROUP (120)	[illegible]									
62 Banks (9)	[illegible]									
65 Insurance (Life) (7)	[illegible]									
66 Insurance (Composite) (7)	[illegible]									
67 Insurance (Brokers) (7)	[illegible]									
68 Merchant Banks (11)	[illegible]									
69 Property (49)	[illegible]									
70 Other Financial (30)	[illegible]									
71 Investment Trusts (69)	[illegible]									
81 Mining Finance (1)	[illegible]									
91 Overseas Traders (7)	[illegible]									
99 ALL-SHARE INDEX (697)	[illegible]									

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Dec 6	Dec 5	Dec 4	Dec 1	Nov 30	Year ago
FT-SE 100 SHARE INDEX ◆	2346.7	-7.8	2366.1	2341.1	2353.7	2327.5	2303.4	2311.1	2276.8	1757.9

FIXED INTEREST

PRICE INDICES	Thu Dec 7	Day's change %	Wed Dec 6	xd adj. today	xd adj. 1989 to date
British Government					
1 Up to 5 years	[illegible]				
2 5-15 years	[illegible]				
3 Over 15 years	[illegible]				
4 Irredeemables	[illegible]				
5 All stocks	[illegible]				
Index-Linked					
6 Up to 5 years	[illegible]				
7 Over 5 years	[illegible]				
8 All stocks	[illegible]				
9 Debentures & Loans	[illegible]				
10 Preference	[illegible]				

AVERAGE GROSS REDEMPTION YIELDS		Thu Dec 7	Wed Dec 6	Year ago (approx.)
1 British Government Low Coupons	5 years	[illegible]		
2	15 years	[illegible]		
3	25 years	[illegible]		
4 Medium Coupons	5 years	[illegible]		
5	15 years	[illegible]		
6	25 years	[illegible]		
7 High Coupons	5 years	[illegible]		
8	15 years	[illegible]		
9	25 years	[illegible]		
10 Irredeemables		[illegible]		
11 Index-Linked Inflation rate 5%	Up to 5yrs.	[illegible]		
12 Inflation rate 5%	Over 5 yrs.	[illegible]		
13 Inflation rate 10%	Up to 5yrs.	[illegible]		
14 Inflation rate 10%	Over 5 yrs.	[illegible]		
15 Debs & Loans	5 years	[illegible]		
16	15 years	[illegible]		
17	25 years	[illegible]		
18 Preference		[illegible]		

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	73	11	18
Corporations, Dominion and Foreign Bonds	1	9	31
Industrials	324	399	876
Financial and Properties	137	140	401
Oils	29	25	39
Plantations	53	68	74
Mines	0	2	7
Others	80	26	108
Totals	697	680	1554

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

TRADITIONAL OPTIONS

- First Dealings Dec 4
- Last Dealings Dec 15
- Last Declarations Mar 8
- For settlement Mar 19

For rate indications see end of London Share Service

Calls in Eurotunnel Units, Rolls-Royce, Aitken Hume, Amstrad, Millwall, Campari, Ibstock Johnsen, Lucas. Puts in IBC, Saatchi & Saatchi.

LONDON TRADED OPTIONS

TRADE was robust on the London Traded Options Market with 41,565 contracts traded. This was business up of 26,292 calls and 15,263 puts.

Far and away the busiest stock option was BP which traded 7,496 contracts. The underlying market was also busy with 13m shares traded. Calls contributed 4,303 contracts with interest concentrated in the January 300 series which traded 1,361 contracts and also the January 330s which did 1,119. On the put side 3,192 contracts traded with the July 330s busiest with 1,350 contracts.

FTSE was active in two-way trade with 9,274 contracts made up of 5,227 calls and 4,047 puts. Business was concentrated in the near month series. The December 2,350 calls with 1,524 contracts were the most popular. The market share of the FTSE contract was somewhat lower than of late at 22 per cent.

Of the other stocks TSB made a rare appearance among the top performers with 1,954 contracts made up of 1,895 calls and just 59 puts. The busiest strike was the December 130 with 500 contracts. British Aerospace traded 1,750 contracts, almost exclusively calls. The average bargain size here was unusually large at 58 contracts.

Dixons had an altogether calmer day with 1,359 contracts, again predominantly calls. Average bargain size 16 contracts, perhaps indicating retail interest.

James Capel accounted for the bulk of trade in Beechams. It sold 1,000 July 600 puts at 27. Total volume in Beechams was 1,353 of which 1,104 were puts. Volume was also strong in Fisons with 1,519 contracts traded, 1,264 of them puts of which 504 were March 180 puts and 540 December 180 puts. In British Gas the vast bulk of contracts were calls, with 1,317 traded out of a total of 1,405 contracts.

● The London Traded Options Market is launching two water options. One will be a Thames Water contract. The other will be a package unit of 10 water companies. The package unit will be the only package other than the FTSE on the LTOM. Trading will start on December 12.

[illegible]

Johnson Matthey rises 6% to £33.5m

By Clare Pearson

JOHNSON MATTHEY, precious metals refining and marketing group, managed a 6 per cent rise in pre-tax profits to £33.5m, against £31.5m last time, on turnover of £702.9m (£664.6m) in the six months to end-September.

Unlike the accompanying announcements of board changes, this result was in line with expectations.

The interim dividend was unchanged at 2.5p. Fully-diluted earnings per share edged up to 13.8p (12.9p).

Mr Joseph Stevenson, newly-appointed chief executive, said aspects of the UK and the US economies had adversely affected the company during the period, and this would also be reflected in the second half results.

Lower US car production was making itself felt, while parts of the colours business continued to be hit by the downturn in UK housebuilding. However, firming precious metals prices and the strengthening dollar, should be positive factors.

During the first half, the average sterling price of platinum was broadly similar to last year. But some benefit was gained from exchange rates on the translation of overseas earnings as the dollar was 7 per cent stronger against sterling.

Materials technology, the umbrella for a range of activities including biomedical products, electronic materials, and catalysts, was the only division to improve operating profits during the first half.

This division achieved a 29 per cent increase to £14.6m. The launch of Carboplatin, the newest platinum-based anti-cancer drug, produced a strong US contribution. In electronic materials, the two US acquisitions made in the first quarter had been integrated satisfactorily. There are plans to spin off this business as a separate division.

Operating profits from precious metals were £10.5m (£11.3m), with a slightly better performance from marketing offset by difficult conditions for refining outside the US.

Lower UK housing starts were reflected in a result for the colours and printing division of £4m (£4.7m).

Catalytic systems produced a same-again result of £9.5m, affected by the US car market. Construction of a £15m plant at Brussels to cater for the growing European market for autocatalysts is nearing completion, and the factory should open next February.

Capital expenditure for the year is expected to total more than £50m, up from £38.7m. The Brussels plant, expansion of the colours business in the UK and of the French printing operation would absorb most of this.

Taking control with minority holdings

Kenneth Gooding on Charter Consolidated's move into Johnson Matthey

THE LATEST boardroom upheavals at Johnson Matthey and Charter Consolidated, two quoted UK companies, provide a prime example of how Mr Harry Oppenheimer's Anglo American-De Beers mining empire can sometimes exercise control without having to bid for a majority of the shares.

Anglo owns only 36 per cent of Charter via Minorco, its Luxembourg-quoted investment company. But a little more than a year ago Minorco moved in on Charter. A clutch of Charter executives were ousted, including Mr Neil Clarke, chief executive, and Mr Jocelyn Hambro, chairman.

This followed the famous conversion of Minorco, under Sir Michael Edwardes, its new chief executive, from a passive investor to one which wants "hands on" involvement with groups in which it has major shareholdings.

Next in the firing line was Johnson Matthey, a precious metals refining and marketing group, in which Charter has a 38.6 per cent shareholding. JM the biggest single investment in the Charter portfolio and contributes about one-third of the earnings.

JM has made a remarkable recovery since 1984 when the collapse of its subsidiary, Johnson Matthey Bankers, threatened the whole group. The Bank of England took over the banking operations for a nominal £1 and Charter sent in Mr Clarke to become JM's chairman. He recruited Mr Gene Anderson, from the Celanese Corporation in June 1985. Since then JM's debt has been reduced, from £485m to £20m and the net profit trebled to £64.4m in the year to March 31.

However, recently the profit advance has been rather mundane. Yesterday the company reported interim pre-tax profits up 6 per cent to £33.5m.

Charter's new team have been giving the distinct impression they feel they could do better and dropped clear hints about playing a more active role in JM.

The opportunity came late on Wednesday with the resignation of Mr Anderson in circumstances which usually indicate a boardroom bust-up.

Analysts were in no doubt yesterday that the bone of contention was Mr Anderson's determination to offset the lack of dynamic growth in JM's traditional operations by making a substantial acquisition. He spoke in terms of a bid worth "several hundreds of millions of pounds".

Many analysts assumed that Anglo would not want its influence on JM diminished by a dilution of Charter's shareholding through the issue of acquisition shares. But Mr Anderson seemed intent on testing the Anglo-Charter resolve.

A tall, laconic American chemical engineer with a Harvard MBA, who became known in the UK in the 1970s when Tenneco twice sent him to sort out troubled British subsidiaries, Mr Anderson was tempted to join JM with a potentially-lucrative, performance-related contract. The group's 1988 report shows he was paid £213,843 in salary, up from £160,933, and he owned 579,736 shares, currently worth £2.1m, and held options on another 490,580.

Mr Anderson had two years of his contract remaining, thus opening up the possibility that he might be entitled to a £500,000 payoff.

Mr Clarke yesterday also announced his resignation as JM's chairman, thus paving the way for two key executives from Charter to move in.

Mr David Davies, at present deputy chairman of Charter, will become JM's new chairman while Mr Richard Wakeling, Charter's acting chief executive and finance director, will be deputy chief executive.

Mr Joe Stevenson, who joined JM in 1968 and was executive director, operations, provides continuity as chief executive.

Mr Davies is well-known in the City where he worked for 20 years as a merchant banker, most recently as chief executive of Hill Samuel. He will give up his Charter connections but Mr Wakeling will remain a non-executive director of Charter.

Meanwhile, Charter at last has a new chief executive in Mr Jeff Herbert, 47, who since 1985 has been responsible for sorting out Charter's rag-bag of industrial interests, including Cape Industries, the building materials concern and the Anderson Strathclyde mining equipment company.

He said last night his appointment did not not herald any change of strategic direction by Charter. "We want Charter to become a good industrial business. We need to be a little more focused and have perhaps four or five major activities which are globally strong plus the interest in Johnson Matthey."

The JM board won from Charter a declaration that "it has no present intention" of either buying or selling JM shares which should have the effect of dampening speculation.

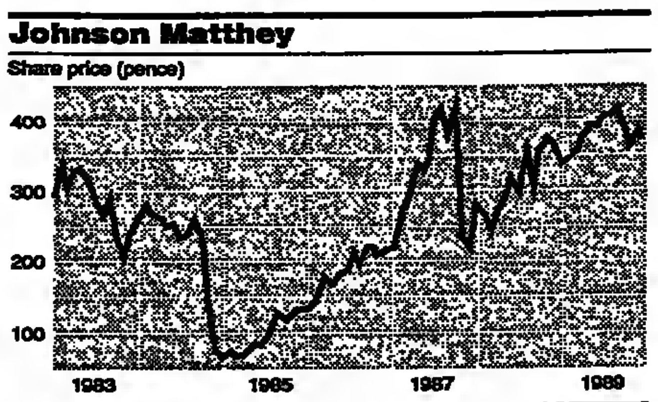
Why does Anglo go through all these contortions rather than, for example, have Minorco mop up the rest of Charter and JM? The answer seems to be that it does not want to loosen its grip on the world platinum production, marketing and fabrication network it has built up.

That network includes Rustenburg, by far the biggest of the South African platinum miners, which is 37 per cent owned by Anglo. JM has the exclusive marketing rights to Rustenburg's output. Minorco, 60 per cent owned by Anglo and De Beers, has 30 per cent of Englehard, a US company which handles most of the metal from South Africa's other major platinum producer, Impala.

If the formal, shareholding links between Minorco and Charter and JM were strengthened, there is little doubt that the Anglo group would incur into anti-trust problems in the US.

But, as Mr Oppenheimer has said in the past, you do not have to have 50 per cent of a company to have control.

Joe Stevenson: aspects of UK and US economies blamed



David Davies: ex-merchant banker coming to head JM

Norwegian ship owners take 80% stake in KCA

By Andrew Bolger

A NORWEGIAN ship-owning family has bought a majority stake in KCA Drilling, the British oil services company chaired by Sir Monty Finniston.

Outline Ltd, a Guernsey-registered vehicle for the family funds of Mr Wilhelm Blystad, has bought 80 per cent of KCA at 12p per share, which values the whole of KCA at £9.8m.

Outline agreed the deal with Rosshold, KCA's management company, and Chembank Nominees, Rosshold's bank, which held the shares as security for loans made to Rosshold.

Outline's interest in KCA will be reduced to 51 per cent by the placing of 23m shares by stockbroker T C Coombs at 12p per share.

Under Rule 9 of the Takeover Code, Outline is obliged to make an offer for all the remaining shares of KCA.

Accordingly Henry Ansbacher, Outline's bank, has offered 12p per share to remaining shareholders.

However, Outline will urge existing KCA shareholders not to accept the offer.

Outline wants to maintain KCA's listing and keep the other existing shareholders.

Any acceptances of the offer will be placed by T C Coombs.

Shares in KCA closed yesterday at 16p, down 2½p.

Outline said KCA's expertise at an operating level was well demonstrated by its ability to win and retain platform rig service contracts with major international oil companies in difficult market conditions.

Outline said KCA had been adversely affected by market conditions in common with other drilling contractors.

Turnover of £38.9m in 1983 fell to £26.5m in 1988, while pre-tax profits fell from £6.7m to £2.8m over the same period.

Although KCA's North Sea platform business had grown significantly since 1981, its profitability had fallen as a result of these very competitive conditions.

YJ Lovell advances to £33.4m

By Ray Bashford

YJ LOVELL, which is in the early stages of a struggle for control of its competitor in the housing and construction industry, Higgs and Hill, boosted pre-tax profits 36 per cent during the year to September 30.

In line with the forecast contained in the offer document released at the time of the £137m bid, Lovell increased the pre-tax result from £24.43m to £33.37m. Earnings per share rose by 37.5 per cent to 38.5p (28p).

The company's house building operations made an increased contribution to the group result although conditions have tightened since the balance date.

Much of the increase from housing came through the group's partnership building with groups such as local authorities.

This has helped insulate Lovell against the difficulties of rising interest rates.

The construction, commercial development and rental businesses also returned increased contributions.

The group turnover improved to £414.99m (£394.26m). Directors said that the net trading margin firmed from 6.2 per cent to 8 per cent.

The board has recommended a final dividend of 6.75p a share which coupled with the interim lifts the total to 8.75p, representing a 31.6 per cent improvement.

● COMMENT

These figures add further interest to the intriguing battle which is developing with Higgs and Hill. They do little to bolster Higgs and Hill's claim that Lovell is excessively dependent on the house building sector. While the current 12 months will be more difficult than those under review, the progressive relocation of the company's principal house building operations away from the south-east of England and continued participation in less risk-prone partnership building, will help insulate the company from the worst of the decline afflicting many of its competitors. The construction business is likely to provide a further increased injection to the group result. A chase for improved margins on this side of operations appears to have paid off with operating profits estimated to have almost doubled during the past 12 months. Lovell appears on course to return a pre-tax profit of £37m this year, placing the shares on a prospective multiple of 5.5 and reflecting concern about the housing market and possible dilution of earnings if the company wins control of Higgs and Hill.

UK COMPANY NEWS

High technology subsidiaries blamed for downturn

De La Rue shares hit as profits fall

By Andrew Hill

PERSISTENT losses at De La Rue's high-technology subsidiaries have again hit the banknote printer's profits, in spite of management action to correct the problems.

The shares fell 22p to 315p yesterday after the group revealed that trading profits at its continuing security products business had slipped 31 per cent in the six months to September 30 – from £18.1m to £12.4m.

Mr John White, De La Rue's finance director, said most of that shortfall could be blamed on Printrak, which makes fingerprint identification systems, and Remsdaq, the electronic security subsidiary.

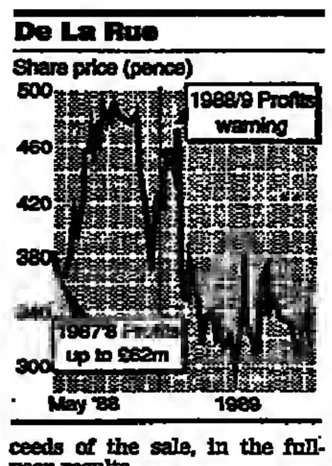
First-half taxable profits for the whole group fell from £16.5m to £9.65m, although the 1988-89 figures included a £6.74m contribution from printing technology subsidiaries, principally Crosfield Electronics, which was sold to Du Pont and Fuji Photo in August for £235m.

Yesterday's statement by Mr Peter Orchard, De La Rue's chairman, said: "There are problems related to the fulfilment of contracts [at Printrak and Remsdaq] which are proving somewhat intractable and are very difficult to quantify."

Mr White said the companies had suffered from a shortage of orders at the beginning of the financial year and had then had difficulty completing large software contracts in the US and Middle East on time and as specified.

De La Rue will also have to repay part of the £235m received for Crosfield, which incurred "a substantial trading loss" in the first half. The deal with Du Pont and Fuji was completed in October, but the price can still be adjusted by the difference between the subsidiary's net assets of £134m at the end of March, and its net assets at September 30.

Mr White said he hoped accountants for the two sides would have agreed a final, lower price by the end of January. Crosfield's actual losses will appear as an extraordinary item, offset by the final proceeds of the sale, in the full-year results.



Mr Jeremy Marshall, the former BAA chief executive who took on the same role at De La Rue two weeks ago, was looking very hard at the high-technology subsidiaries, said Mr White. He would not say whether Printrak and Remsdaq might be sold or closed, although he admitted their problems were overshadowing a good performance from the core banknote and security printing business.

Turnover was down from £247m, including printing technology, to £161m in the first half and earnings per share dropped to 6.1p (11.3p). The interim dividend was held at 3.25p.

Poor performances from Crosfield and Printrak caused the collapse in De La Rue's 1988-89 profits from £62.4m to £26.3m, and helped trigger a short-lived hostile bid from Norton Opax, the specialist print and packaging group. That cost De La Rue £960,000 below the line in the first half, in spite of the fact that the group did not have to publish a defence document, because Norton fell to a bid from Bowater Industries.

Bid speculation is still buoying the De La Rue share price, based on uncertainty about a 22 per cent stake controlled by Mr Robert Maxwell, the publisher, who was interested in buying the Crosfield business.

See Lex

Ashley Ashwood

Mr Godfrey Bowles (above) was yesterday appointed managing director of Pearl Group following the success of Australian Mutual Provident's £1.24bn offer for the UK insurance company.

After joining AMP in 1959, Mr Bowles held several senior roles and takes up the post with the Pearl following a period as the Australian company's general manager in charge of corporate affairs.

Sir James Balderstone, who becomes chairman of AMP's main board early next year, and Mr Ian Salmon, chief of the group's international operations, were also appointed to the Pearl board.

Mr Einion Holland will be replaced by Lord Catto, chairman of AMP's UK operations, as Pearl's chairman, but he will remain on the Pearl board as a non-executive director.

Bunzl sells EESCO to management for £55m

By John Ridding

BUNZL, the distribution and specialist manufacturing group, yesterday announced the disposal of EESCO, its US electrical products distribution business, to management for £55.6m in cash.

The disposal is the first step in a radical restructuring strategy announced in September which involves the sale of three of the group's businesses representing about 15 per cent of trading profits.

Bunzl is seeking to refocus on four core business areas after a process of rapid expansion and diversification had overextended the group's management resources and resulted in borrowings of over £300m. At one stage, in the two years after January 1986, Bunzl was buying a new company every two weeks.

EESCO, which is based in Chicago, has only been part of Bunzl since October 1987 when it was acquired for £40m. It is one of the largest independent electrical products distributors in the US, and is principally involved in electrical components, wire and cable, and lighting and control equipment.

As with Bunzl's paper manufacturing and graphic arts supplies businesses, the two other operations up for sale, EESCO is profitable. In 1988 it reported pre-tax profits of £5.6m on sales of £140.6m.

But Mr James White, Bunzl's chairman, said that "the opportunities to expand EESCO by acquisition and gain a significant market presence have been limited by the high prices currently demanded for businesses in this sector."

Bunzl argue that the growth prospects in its four core businesses – paper distribution, building materials distribution, filter manufacture and plastics manufacture – are more promising and that there are advantages in concentrating financial and management resources on a smaller range of activities.

Mr Tim Rothwell, analyst at Barclays de Zoete Wedd, felt that Bunzl had got a good price for EESCO. But he added that the disposal of the paper manufacturing and graphic arts businesses may be more difficult because both had passed their cyclical peaks and certain of the businesses were already operating at capacity levels.

Mr Brian Ford, Bunzl's managing director, said that he expected the programme of disposals to be completed by the end of the first quarter of 1990. He said that both of the two remaining business areas to be sold had received a good response and that the group was in the process of "narrowing down the field to the last few runners."

Bunzl's shares, which have fallen sharply from 180p at the beginning of February, were unchanged yesterday at 104p.

Smith & Nephew below forecasts with £100m

By John Ridding

SMITH & NEPHEW, the healthcare and consumer products group, yesterday announced a 17 per cent increase in pre-tax profits, from £85m to £99.6m for the first three-quarters of the current financial year. The results were slightly below market expectations and shares slipped 3p to close at 138.5p.

The company also revealed that Mr Leon Fern, head of the group's medical products division in the US, and a director on the main board, has resigned. The company said that Mr Fern had resigned to pursue other business interests.

During the period, which covered the 40 weeks to October 7, group sales increased from £449.6m to £529.9m, an increase of 18 per cent. However, about 40 per cent of sales accrue from the US and, having removed the effects of currency movements, the increase was only 13 per cent.

Earnings per share showed a slower rate of growth, increasing by 10 per cent from 6.19p to 6.81p, despite the benefit of a lower tax charge.

The results included a first-time contribution from Ioptex, the US manufacturer of optical lenses, which S&N bought at the end of 1988 for £128m.

But the costs of acquiring Ioptex, combined with other US acquisitions in the period, prompted a sharp rise in the net cost of borrowings from £2.5m to £6.8m.

The majority of the improvement in profits came from the patient care division, which represents more than 50 per cent of profits. Richards, the joint and surgical implant maker, experienced another strong period, increasing sales by about 20 per cent. Nivea skincare products also enjoyed a strong quarter as a result of the hot UK weather.

However, sales to the NHS continued to be affected by destocking and losses continued at the group's denim business.

The lack of new product approvals at its generic pharmaceuticals operation, which prompted a write-down in certain assets, and the temporary closure of a glove manufacturing plant in Canada, resulted in an extraordinary charge of £13m. Against this, there was a £12m extraordinary profit on the sale of its 50 per cent stake in British Tissues in July.

Water flotation heavily oversubscribed

By Clare Pearson

THE OFFER for sale of shares in each of the 10 water companies has been oversubscribed, it was confirmed yesterday as counting application forms for the £5.24bn flotation continued.

J. Henry Schroder Wagg, financial advisers to the Government on the share sale, revealed that demand for the companies' shares in aggregate had been at least 1.75 times the size of the £1.2bn public offer - enough to trigger clawback from overseas investors.

It is also now clear that demand for shares in some of the companies has been enough to trigger clawback from UK institutional holders, a process which only comes into play when an individual offer is more than 2.25 times subscribed.

Speculation mounted yesterday that in aggregate the public may have applied for as much as three times the number of shares available.

The exact levels of oversubscription will be announced next Monday.

The Government designed the share sale so as to encourage full subscription of the offers for each of the 10 companies.

This was done by means of providing attractive incentives, such as cash discounts on the 240p fully-paid price and loyalty bonus shares to people who chose to invest in their local company.

Even so, there had been concern that some of the companies might not attract enough interest from local buyers to be fully subscribed.

Overseas clawback lifts the proportion of the total flotation being made available to the public and company employees from 26.55 per cent to 31.18 per cent. The maximum proportion that could additionally be made available through the institutional clawback is 15.7 per cent.

The basis on which applications will be scaled down by each of the ten companies will be decided over the weekend, and announced on Monday. Stock market dealings start next Tuesday.

Guiton versus Guernsey takeover verdict today

By Jane Fuller

THE FIRST takeover battle between two Channel Islands companies will be decided today when Guiton's final £17.2m offer for Guernsey Press closes.

As rivalry between Jersey and Guernsey dates back to the Civil War, emotions have run high throughout the battle, particularly as the target's flagship is Guernsey's only newspaper.

The offer values the Guernsey Press shares at 300.5p each, whereas the latest matched-bargain trade was at 230p. But because of thin trade in the stocks, some doubt has been cast on the value of the offer, which now includes a 50 per cent cash alternative.

Deciding the bid are 227 shareholders, of whom 159 are Guernsey based. More than a third of the equity lies in the hands of people who inherited it.

However, about 27 per cent is with institutions, the most important being the Guernsey branch of the London-based investment company 3i. It has a 19.6 per cent stake in Guernsey Press and a 2 per cent stake in Guiton. It also has the same local chairman, Mr John Morris, as the Investment Trust of Guernsey, which has 3.5 of the target's equity.

The trust has a London-based fund manager, who makes a recommendation to the local board. In 3i's case, the local branch makes the decision after discussions with advisers in both London and Jersey.

Even if Guernsey Press' escapes, there is some speculation that it will "never be the same again." This is because a substantial dip in profit created the opportunity for Guiton to strike and it is felt that earnings growth must be restored to deter any other predators.

Grosvenor Capital seeks investment trust status

By Clare Pearson

GROSVENOR Development Capital, a venture capital organisation which emerged from the old National Enterprise Board in the early 1980s, is seeking to turn itself into an investment trust by joining the main market via a placing of ordinary shares and loan stock.

Some 3m ordinary shares are being placed, at a price of 100p each, giving it a market value, exclusive the loan stock, of £8.06m. Convertible unsecured loan stock worth in total £12m, payable as to 50p on application and 50p in November next year, is being issued.

The company intends to conduct its affairs so that with effect from December 14th it should qualify as an investment trust for tax purposes.

Its biggest investment is in Sage Group, the business software company that joined the market yesterday. Grosvenor sold 998,000 Sage shares, leaving it with 14.7 per cent of the enlarged share capital.

Shares fall 10p in sector hit by pessimistic CBI/FT retail survey

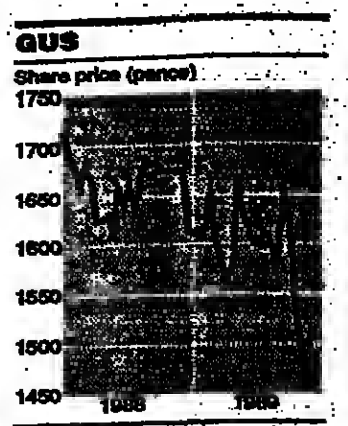
GUS in line with expectations at £166.2m midway

By Maggie Urry

GREAT UNIVERSAL Stores, the retail, finance and property group, yesterday reported interim profits up 5 per cent from £158m to £166.2m, in line with analysts' expectations. Sales in the six months to end September rose by 3 per cent from £1.22bn to £1.26bn.

Including realised property profits of £4.8m (£4.9m) pre-tax profits rose to £171m (£162.9m). The interim dividend is up 10 per cent at 11p.

The shares fell 10p to close at 1105p, with retail shares generally weak after a pessimistic report from the CBI/FT retail survey.



Mr Trevor Spittle, deputy chairman, said he thought the results were good given the more stringent climate for consumer spending. He said the group's asset value had risen to around 1100p a share.

The company has been buying back its own shares, some 575,000 have been acquired so far, and Mr Spittle said it would continue to review making purchases if doing so would enhance earnings per share. At present purchases up to around 1150p would add to earnings, analysts reckon.

The contribution from the home shopping business to group post-tax profits fell from 48.4 per cent to 41 per cent. Mr Richard Pugh, head of the division, said high interest rates had affected spending. The postal strike in September last year was still having an effect in that it had disrupted the most important period for recruiting agents. Mr Pugh said operations in Continental Europe had fared better.

The after-tax contribution from GUS's Burberry and other retailing division fell from 12.8 per cent to 11.6 per cent. Mr Stanley Peacock, who runs the division, said that a weaker pound was helping Burberry's sales to tourists. The younger ranges, under the Thomas Burberry name, were selling well.

Consumer and corporate finance, business information and investment income, was the star performer, helped by high interest rates on the company's cash balance. The division increased its contribution from 25.1 per cent to 32.4 per cent. However, demand for consumer credit was beginning to weaken, said Mr John Harris, head of the division.

Property rentals and disposals accounted for 15 per cent of after-tax profits, up from 13.7 per cent. Mr Eric Barnes, in charge of property, said the group had very few vacant properties at present.

Earnings per share from trading activities rose by 5.6 per cent to 43.4p, and including property disposals earnings were up 4.7 per cent to 45p.

Avesco lifts profits

Avesco, supplier of equipment to the television and video industries, announced pre-tax profits 8 per cent ahead to £2.55m for the half year to September 30, compared with a previous £2.16m.

Turnover rose to £14.45m (£10.83m). An 0.5p dividend is declared.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Archer (AJ)	fin	5	Feb 28	4.25	8	4.25
Carr's Milling	fin	5.75	Jan 25	5.75	7.5	7.5
Channel Express§	int	1	Jan 19	-	-	1.3
Clayhithe	int	1.8	Feb 5	1.5	-	4.25
Drummond Group	int	1	Jan 18	1	-	3.7
Euromoney	fin	10.5	-	9	16	14
Feedback §	int	0.75	-	nil	-	nil
Graham Wood	int	3†	Feb 28	-	-	1.24
GrandMet	fin	11	Apr 9	9.5	17.75	15
Greycoat	int	2.3	Jan 26	2	-	4.5
GUS	int	11	-	10	-	31.5
GWR Group §	fin	9†	Apr 8	-	12	-
In Shops	int	0.6	Jan 5	0.5	-	1.7
Johnson Matthey	int	2.5	-	2.5	-	8
Lovell (YJ)	fin	6.75	Apr 2	5.15	8.75	8.2
Macdonald Martin	int	8♠	Jan 4	6	-	30
Macdonald Martin	int	4♥	Jan 4	3	-	15
MS International	int	1†	Feb 3	0.9	-	3.96
Murray Enterprs	fin	nil※	-	0.2	nil	0.2
Phoenix Timber	int	1.1†	Jan 19	1.1	-	2.75
Pilkington	int	2.93‡	Feb 19	2.66	-	9.5
Robertson Group	int	1.3	Jan 8	1.1	-	3.8
Stainless Metal§	fin	1	Jan11	nil	4♣	2

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ♦Third market. ♠Dividend per 'A' ordinary share (limited voting rights). ♥Per 'B' ordinary share. ‡Scrip alternative. ※Fourteen months to September 30. ♣Includes special 3p dividend.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims- Hickling Pentecost, Ivory & Sime, Dykeley & Butler, Ross.

Finals- Burns Anderson, Carroll (PJ).

FUTURE DATES

Interims-

Aeda Group	Dec. 14
Eliza Tinsley Group	Dec. 14
Gold Greenless Trott	Dec. 18
Learmouth & Burchett Man	Dec. 11
M & G Second Dual Trus	Dec. 15
Pres (Benjamin)	Dec. 13
Smith (WH)	Jan. 21
TGI	Dec. 13
Wellman	Dec. 21

Finals-

Hambros Advanced Tech.	Dec. 22
Kelsey Inds	Jan. 9
Kunick	Dec. 14
Lex (Arthur)	Dec. 14
McCarthy & Sons	Dec. 15
NFC	Dec. 18
Peter Electronics	Dec. 12
Richards	Dec. 12
Tilon	Dec. 12
Ventures Plant Group	Dec. 12
Whampton & Dudley Brew.	Dec. 11

UK COMPANY NEWS

Order delays cut MS profits 35% to £1.2m

By Andrew Bolger

MS ENGINEERING, the defence and engineering group, yesterday reported a 35 per cent decrease in pre-tax profits to £1.2m in the six months to October 31. Turnover rose to £16.9m (£15.7m).

Mr Michael Bell, chairman and chief executive, blamed the drop in profitability on delays in the receipt of orders, particularly in the group's defence and electrical equipment division, which had trimmed margins.

Mr Bell said the impact on profits had been limited by cutting the workforce by 10 per cent to just over 700 people, introducing cost controls and strengthening management.

MS said the companies in its mechanical engineering division performed reasonably well, allowing this division to become the group's prime source of profits in the half-year.

The company's order books were now healthier than a year ago, with business spread across both divisions.

A restoration in volume of orders for the defence-related businesses had been supplemented by an order worth more than £8m from the Royal Navy for 24 gun mountings. This single order would extend delivery of the product through to the end of 1992.

MS still hopes to obtain a US Navy order for gun mountings which could be worth about £250m over a 15-year period.

Mr Bell said that the current level of activity across the group, combined with cost reductions and stronger management, should allow the group to look forward to the traditionally stronger second half with confidence.

He added: "Although we have experienced some short-term difficulties, we should achieve a reasonably satisfactory outcome for the year."

Earnings per share fell 40 per cent to 2.6p (4.3p). The interim dividend was increased to 1p (0.9p).

Interest charges reduce Phoenix Timber profits

By Andrew Hill

RISING INTEREST charges more than halved interim profits at Phoenix Timber Group, the Essex timber products and property care services business, which made £479,000 before tax in the six months to September 30, compared with £995,000.

Mr Peter Quinn, chairman said that the £5.5m net proceeds from the sale of the group's wharf site at Rainham had been used to reduce group borrowings from about 80 per cent of shareholders' funds to a more comfortable 50 per cent.

The wharf sale — to Redland, the building materials group — came too late to reduce the cost of borrowing in the first half, which rose from £714,000 to £1.26m, pushed up by higher interest rates. There was an extraordinary profit of £1.5m on the deal.

Mr Quinn said the wharf sale would benefit the second half and Phoenix was continuing to improve efficiency to offset inflationary pressure.

"I don't think anyone is happy with the building market at the moment — particularly housebuilding — but I think we have shown that we have been able to survive the latest downturn in activity," Mr Quinn said yesterday.

Earnings per share in the first half slipped from 6.7p to 2.9p and the interim dividend was maintained at 1.1p per share.

Group turnover rose to £36.1m (£30.8m) with all operating division increasing sales, in spite of pressure on the importing and distribution activities and adverse conditions in the furniture trade.

Drummond falls to £608,000

Drummond Group, with principal activities of cloth manufacture and property management, reported reduced profits and turnover for the half year ended September 30.

Pre-tax profit was down from £704,000 to £608,000 and turnover down from £15.88m to £13.02m, leaving earnings per share reduced from 4.46p to 2.56p after tax of £207,000 (£203,000).

Mr Stefan Simmonds, chairman, blamed the poor results on "the downturn in the High Street with an increase in pressure on margins".

The company does not expect market conditions to improve in the short term and anticipates that the full year's profits will be below those of last year, but is maintaining the interim dividend at 1p as a sign of confidence in its long term prospects.

Metsä-Serla sees 20% downturn in UK Paper results

By Maggie Urry

A FORECAST fall of over a fifth in annual profits for UK Paper was contained in yesterday's offer document from Metsä-Serla, the Finnish forest products group which is making an agreed £263m takeover bid for the British paper company.

Combined with a valuation of UK Paper's surplus land at a level well below expectations, analysts said the document was an attempt to justify the target company's assertion that the bid was at a fair and reasonable price.

Some analysts believe that UK Paper is selling out too cheaply. One said, "we are advising clients not to sell.

All the merchant banks are looking for another buyer." Some arbitrageurs are believed to have bought shares in UK Paper in the hope of a higher bid.

The offer document said UK Paper's pre-tax profits for 1989 would be around £15m, compared to the £19m made in 1988.

At the interim stage pre-tax profits were up by 9.5 per cent st £9.2m, and the forecast implies a near halving in profits in the second half of the year.

Earnings per share are forecast at 17.4p, giving a prospective p/e of 19 at the cash offer price of 330p a share. UK Paper's shares, were up 1p at 333p.

The offer document put a value on the 286 acres of surplus land which UK Paper owns around its Kemsley and Sittingbourne mills in north Kent. The group has applied for planning permission so that the land could be developed for industrial and residential use.

The land has been valued at £16.9m without planning permission, and £33.7m if it had outline planning permission. These valuations are well below some analysts' estimates.

The offer document points out that if the land were sold at these valuations capital gains tax, of £5.2m or £11.1m respectively, would be payable.

Metsä-Serla is understood to have bought more shares in the market yesterday, at the offer price, taking its stake up to 4 per cent. UK Paper directors have 7.5 per cent and intend to accept the bid.

Macdonald Martin nears £3m

MACDONALD Martin Distilleries yesterday announced a 66 per cent rise in pre-tax profits from £1.72m to £2.86m in the six months to September 30. The advance was achieved on turnover up 24 per cent from £10.4m to £12.92m.

Mr DW Macdonald, chairman, attributed the progress to the strategy of developing distinctive quality brands internationally.

However, he warned that growth in the second half was not expected to be as high, but the full year should show s satisfactory increase over the fifteen months to March.

An interim dividend of 8p (6p) is to be paid per 'A' share and 4p (3p) per 'B' share from earnings per 'A' share of 68.74p (49.14p) and per 'B' share of 34.37p (24.57p).

Dixons repeats its rejection of Kingfisher's unwanted bid

By Maggie Urry

DIXONS, the electrical retailer which on Wednesday received an unwanted £568m offer from Kingfisher, the Woolworths, B&Q, Comet and Superdrug retail group, put out a further rejection statement yesterday.

Dixons said "Kingfisher clearly recognises Dixons' potential as the world's largest specialist retailer of consumer electronics and the opportunities for future growth that this brings."

Mr Stanley Kalms, Dixons' chairman, said "it is equally clear, however, that Kingfisher does not understand the changes that are being implemented for the longer term benefit of the business and Dixons' shareholders. It is making an opportunist bid during a downturn in the economic cycle.

"I am confident that we will be able to demonstrate that the Kingfisher offer seriously undervalues the Dixons shares," he added.

Kingfisher responded to the Dixons' statement saying that Dixons directors were deluding themselves, and it would take more than an upturn in the electricals market for the group to recover. "They need strong management and they need it now," said Kingfisher.

Dixons share price fell 2p to 139p, which compares with the cash offer of 130p a share. Kingfisher's shares were 3p down at 287p.

Baillie Gifford and Japanese bank form investment company

By James Buxton, Scottish Correspondent

BAILLIE Gifford, the Edinburgh fund management company, is setting np a joint investment management company with Toyo Trust & Banking Company, one of Japan's largest trust banks.

Under the 50-50 joint venture Baillie Gifford will supply fund management expertise while Toyo Trust & Banking will provide funds. The new entity, called Toyo Trust Baillie Gifford, will invest mainly in UK snd continentsl stock exchanges.

Toyo will initially inject between Y10hn snd Y20bn (£88m) into the venture. In addition Toyo will assign a fund manager and a trainee to work in the Scottish company's Edinburgh office.

Mr Gavin Gemmell, Baillie Gifford's senior partner, said the venture enabled Baillie Gifford to enter the Jspanese fund mansgement market wlthout having to establish a presence in Japan, while it enabled Toyo to achieve more exposure in Enropean equity markets. Toyo has up to now invested overseas mainly in dollar stocks and bonds.

Toyo, with employahle funds of $63bn, is the 26th largest banking institution in the world. It does commercial hsnking and trust banking, which involves fund management.

Baillie Gifford is by a narrow margin the largest fund manager in Edinhurgh, currently managing £3.25hn, of which £1.8bn is pension fund money.

More than two years ago, Baillie's Edinburgh neighbour Ivory & Sime concinded a similar deal which created s joint venture with Sumitomo Trust and Banking Company. The venture, called Sumtitrust Ivory & Slme, also Involves Japanese staff from Sumitomo working in Edinburgh.

Mr Gemmell dismissed the posslhility that Toyo would rapidly acquire the Edinburgh company's expertise and dispense with the joint venture. Baillie Gifford's expertise was very extensive, he said, and both partners had long-term strategies.

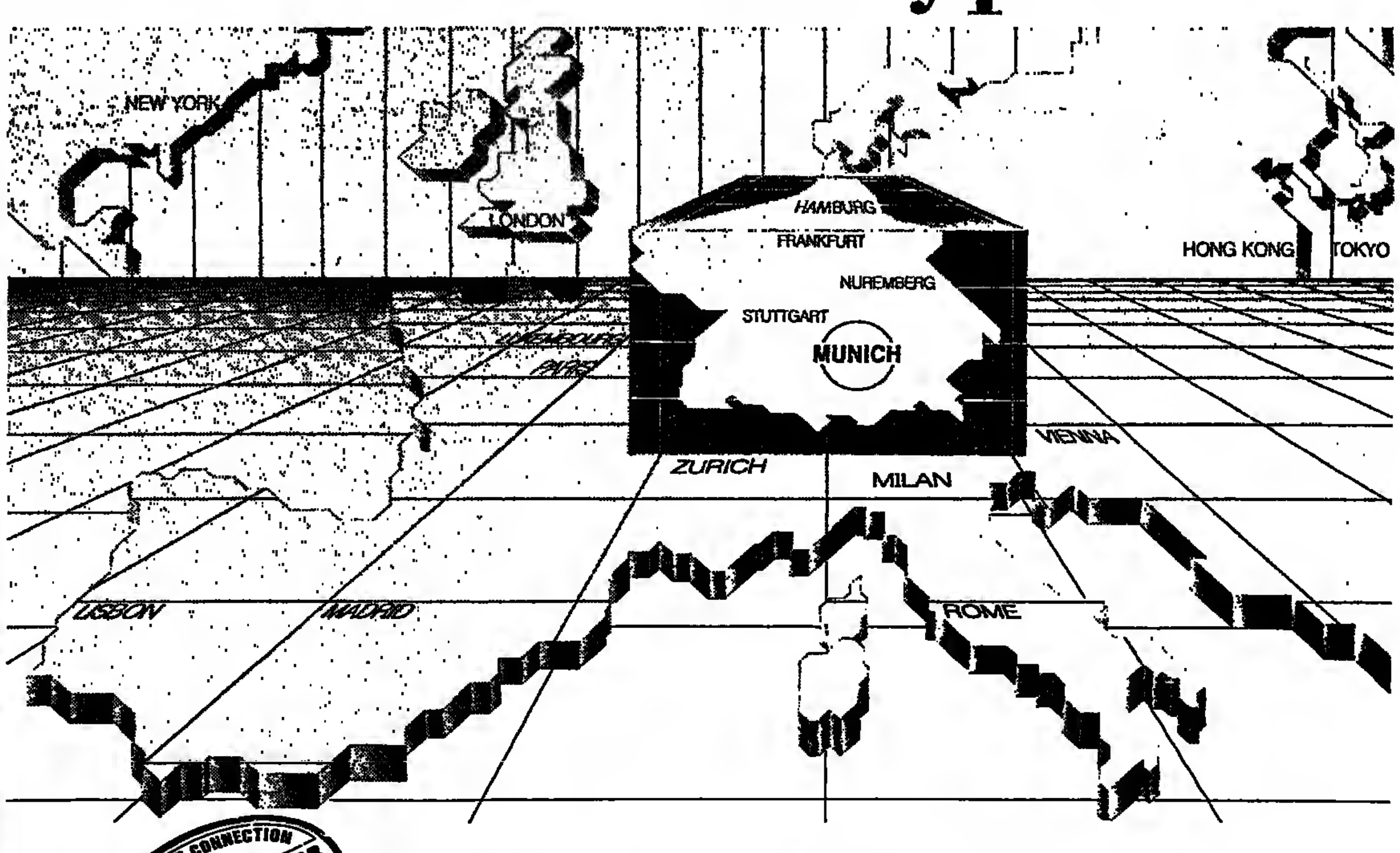
Continued growth at In Shops

Growth continued st In Shops, the retail centre group, in the six months to the end of September, with pre-tax profits 52 per cent higher at £1.32m, against £870,000.

Last year profits increased by 73 per cent.

Turnover was up from £4.73m to £8.68m, s rise of 84 per cent.

Earnings per share were 3.41p (2.48p) after a tax charge of £465,000 (£308,000). Tho interim dividend is heing raised from 0.5p to 0.6p.



Pilkington's 6% lacks lustre

By Jane Fuller

THE DOWNTURN in the UK building industry failed to cloud the interim picture at Pilkington, the glass manufacturer, which increased pre-tax profits by 6 per cent to £147.1m in the six months to September 30.

Only 22 per cent of the company's £1.43bn turnover lay in the UK, where sales advanced by 6 per cent compared with 16 per cent for overseas operations – although this was inflated by accounting changes affecting the translation of South American results.

Spending on new float glass factories helped beef up interest payments by more than £6m to £39.6m. Mr Peter Grunwell, finance director, said that as these plants were starting to generate cash, gearing would come down over the year from 59 per cent to 50 per cent.

The impact of overseas tax rates contributed to a £50.5m deduction, nearly £6m ahead of the corresponding period last year. Earnings per share were flat at 11.5p.

The traditional flat and safety glass activities contributed nearly 80 per cent of turnover and nearly 90 per cent of the £168.7m operating profit.

Mr Antony Pilkington, chairman, said a particularly good performance had come from West Germany through strong demand from the building and automotive sectors.


Ashley Ashwood

Antony Pilkington: warned about demand in the US where car production schedules were 10% down

But the overseas progress was dimmed by a setback to economic growth in Australia and hyper inflation in Argentina. The latter caused a £4.4m reduction in the value of funds, treated as an extraordinary item.

Mr Pilkington sounded a warning about demand in the US where he said car production schedules were 10 per cent down. The Libbey-Owens-Ford subsidiary was responding by switching the emphasis to auto-glass relacement and building products.

Operating profits in flat and safety glass increased by 7 per cent in Europe to £75.6m, and by 17 per cent in North America and the rest of the world to £17m and £57.6m respectively.

Visioncare, bought more than two years ago for £360m and amalgamated with the group's other ophthalmic operations, increased its operating profit by 34 per cent to £18.8m on turnover up by 13.7m to £153.9m. However, Mr Pilkington said second-half growth would be impeded by a contact lens scare in the US ("people don't stick to the instructions") and by cuts in government subsidies for eye care in both the UK and West Germany.

A loss of £4.8m was made at Optronics, which does defence work. Two-thirds of this was caused by redundancy costs. Mr Pilkington said prices had been dragged down by United Scientific Holdings, which has announced large losses on two contracts.

Insulation and reinforcements, the glass fibre activities, had continued to trade below capecity because of weak UK demand. Operating profit plummeted from £8.5m to £2.6m.

The interim dividend is being raised by 10 per cent to 2.93p. The share price closed 3p down at 236p.

● COMMENT

So far Pilkington has proved fairly resilient to UK difficulties. Geographic spread has not proved a panacea, however, and it is disappointing that Visioncare's long-awaited progress is being impeded in the US. As one analyst said, the jury is still out on whether this expensive purchase can deliver the high growth, high margin business that is supposed to inject some excitement into a business dominated by dull prospects for glass. Full-year forecasts have been revised down to £340m, giving a prospective multiple of about 9. It is hard to tell when profits will regain the lustre they temporarily acquired when the group was beating off BTR in early 1987.

Sage set for main market via £21m placing

By Clare Pearson

THE Sage Group, a business software company, is coming to the main market via a placing at 130p per share which values it at £21.1m.

Of the 5.73m shares being placed, representing 35 per cent of the enlarged share capital, all but 769,231 are being sold by existing shareholders.

Net proceeds for the company will be £500,000.

The placing price represents a p/e multiple of 10.3, based on pre-tax profits of £2.9m for the year to end-September.

On a notional net dividend of 5.85p, the gross dividend yield is 6 per cent.

Grosvenor Development Capital, the venture capital concern which is also floating this week, is selling part of its shareholding in the placing as well as a number of the directors.

The Sage Group says it is now established as a leading UK supplier of accounting software packages and network starter kits for personal computers.

Founded in 1980, the company last year achieved sales worth £9.30m, compared with £5.24m in 1988.

Pre-tax profits moved up from £1.04m.

NEWS DIGEST

Greycoat down 17% to £8.7m

Greycoat, the property investor and developer, suffered a downturn in pre-tax profits from £10.49m to £8.71m in the six months to September 30.

However, the company stressed that last time's result included profits of £3.45m from the sale of properties and that this time's figure includes a provision of £3.62m against an anticipated trading loss in the US.

Net rental income rose to £10.43m (£7.04m) and interest receivable and other income advanced to £5.67m (£2.07m). However both finance and administration costs were up at £2.09m (£1.48m) and £2.11m (£1.34m) respectively.

Earnings per share declined to 9p (10.9p), though the interim dividend is lifted to 2.3p (2p).

At the end of October Greycoat, with Park Tower Realty of the US, paid an initial £149.5m for a four-acre site in Paternoster Square, EC2, a area of more than usual interest due to its proximity to St Paul's Cathedral.

Channel Express higher at £0.79m

Channel Express Group, distribution company specialising in flowers, reported interim pre-tax profits 22 per cent ahead from £650,000 to £793,000. Mr Philip Meeson, chairman, said that the company was operating in line with budget with freighter aircraft showing particular strength.

Turnover for the USM-quoted company in six months to September 30 was £8.76m (£6.24m), a rise of 40 per cent. Earnings per share came out at 4.8p (4.7p) after tax of £246,000 (£183,000). The company is paying a first interim dividend of 1p.

Mr Meeson said that the company was seeking to expand and several potential acquisitions had been evaluated.

Clayhithe rises 13% but dividend up 20%

Clayhithe, the property finance, development and professional services company, has increased its pre-tax profits by 13 per cent in the half-year to September 30. The taxable result moved ahead from £1.83m to £2.07m, while turnover was marginally up from £13.01m to £13.22m.

Earnings worked through at 8.55p (7.76p) per share at the basic level and 7.98p (7.19p) fully diluted. Despite the modest level of the profits and earnings increases, the interim dividend is lifted 20 per cent to 1.8p (1.5p).

Mr John Jones, chairman, said that the group had a strong balance sheet and was well placed to take advantage of opportunities which might occur as a result of high interest rates and more difficult trading conditions in some sectors of industry.

Trebled profits of £0.39m at Feedback

Feedback, the USM-quoted electronic equipment manufacturer, more than trebled pre-tax profits in the six months to 30 September.

On turnover only 6 per cent ahead at £4.86m (£4.56m), taxable profits vaulted from £125,000 to £385,000. Tax rose to £148,000 (£65,000) and earnings to 2.8p (0.71p) per share. The company is to return to paying interim dividends, allocating 0.75p per share this time.

Of the profits total, Feedback Instruments returned to the black and, with the present rate of orders, it is expected that profits in the second half will exceed those of the first. Feedback Data produced substantially increased profits, though the second-half result was difficult to predict due to the timing of an order and high interest rates.

Feedback Inc profits came out lower than last time, but increased marketing investment is being made in the second half to raise the volume of business.

59% jump to £0.9m at Graham Wood

Graham Wood, the structural steel engineer which joined the main market in January, increased pre-tax profits 59 per cent from £555,000 to £885,000 in the six months to September 30. Also the directors have declared a maiden interim dividend of 3p.

Mr Tom Goldberg, chairman, said that all the group's companies contributed to the increase with the exception of the fire-proofing operation, which was hit by industrial action by other site operatives in the London area.

Turnover in the period rose to £15.55m (£13.2m). Administration expenses climbed to £2.6m (£1.96m), leaving profits at the operating level of £984,000 (£746,000). Earnings were 17p (22.5p) basic and 14.7p (18.7p) fully diluted.

AJ Archer at £6.3m after interest credits

AJ Archer Holdings, the Lloyds managing agent, achieved increased pre-tax profits of £6.34m for the year to September 30, compared with £6.12m. This was after interest received of £404,000 compared with a net charge of £125,000.

Turnover fell to £7.49m (£7.53m) and operating profits came through at £5.94m (£6.24m).

Directors proposed a final dividend of 5p (4.25p) making a total of 8p (4.25p). Earnings per 1p share amounted to 17.1p (15.6p).

Mr AJ Archer, chairman, said that the difficult trading conditions in 1988 had continued during 1989, particularly in the aviation and marine markets. However, it was likely that the effects of the soft markets and recent losses would increase pressure for an improvement in rates.

Carr's Mill tumbles after food scares

Losses of more than £1m in its chicken meat and eggs activities due to food scares left taxable profits down 48 per cent at Carr's Milling Industries in the year to September 2.

However the Carlisle-based company, which has interests in flour milling, animal feed making, baking, agricultural merchanting and engineering, said that the present year had started well. Contracts for the supply of chicken had been won which should ensure a return to profit for the business.

Turnover was £9m higher at £82.06m and the pre-tax figure was £1.07m (£1.88m). After tax of £313,000 (£461,000), earnings per share were 11.1p (20.8p). Directors are recommending a maintained final dividend of 5.75p for an unchanged total of 7.5p.

Enlarged GWR up 16% to £1.66m

GWR, the USM-quoted West Country radio station, yesterday announced taxable profits for the year to September 30 up 16 per cent from £1.43m to £1.66m. Turnover rose 20 per cent from £8.08m to £9.66m. Mr Henry Meakin, chairman, said the difference reflected the running costs of Brunel Radio, launched last November.

In June, the group doubled its size through a merger with Consolidated Radio Holdings. Mr Meakin said that the benefits were coming through in terms of revenue and operating efficiency.

Brunel Radio, a medium-wave service, is aimed at the over-35s. The directors said that the combined audience of Brunel and GWR FM showed a 21 per cent rise, despite competition from a new BBC local radio station.

The final dividend of 9p makes a total for the year of 12p, from earnings per share of 36p.

Murray Enterprise nav advances to 95p

Murray Enterprise, an investment company specialising in high technology, saw net asset value rise to 95p at September 30, against 60.4p 14 months earlier.

Fully diluted, net asset value reached 98.7p share, compared with nil.

Basic earnings per share for the 14 months to the end of September stood at 1.11p (0.27p loss) or 1.04p (nil) fully diluted. There is no interim dividend (0.2p).

FINANCIAL TIMES SURVEY

Political upheavals and economic reforms in Eastern Europe have opened up new opportunities for trade with the West. Yet the severe economic problems of the Comecon countries make it hard for commerce to expand. A look at the prospects by Anthony McDermott

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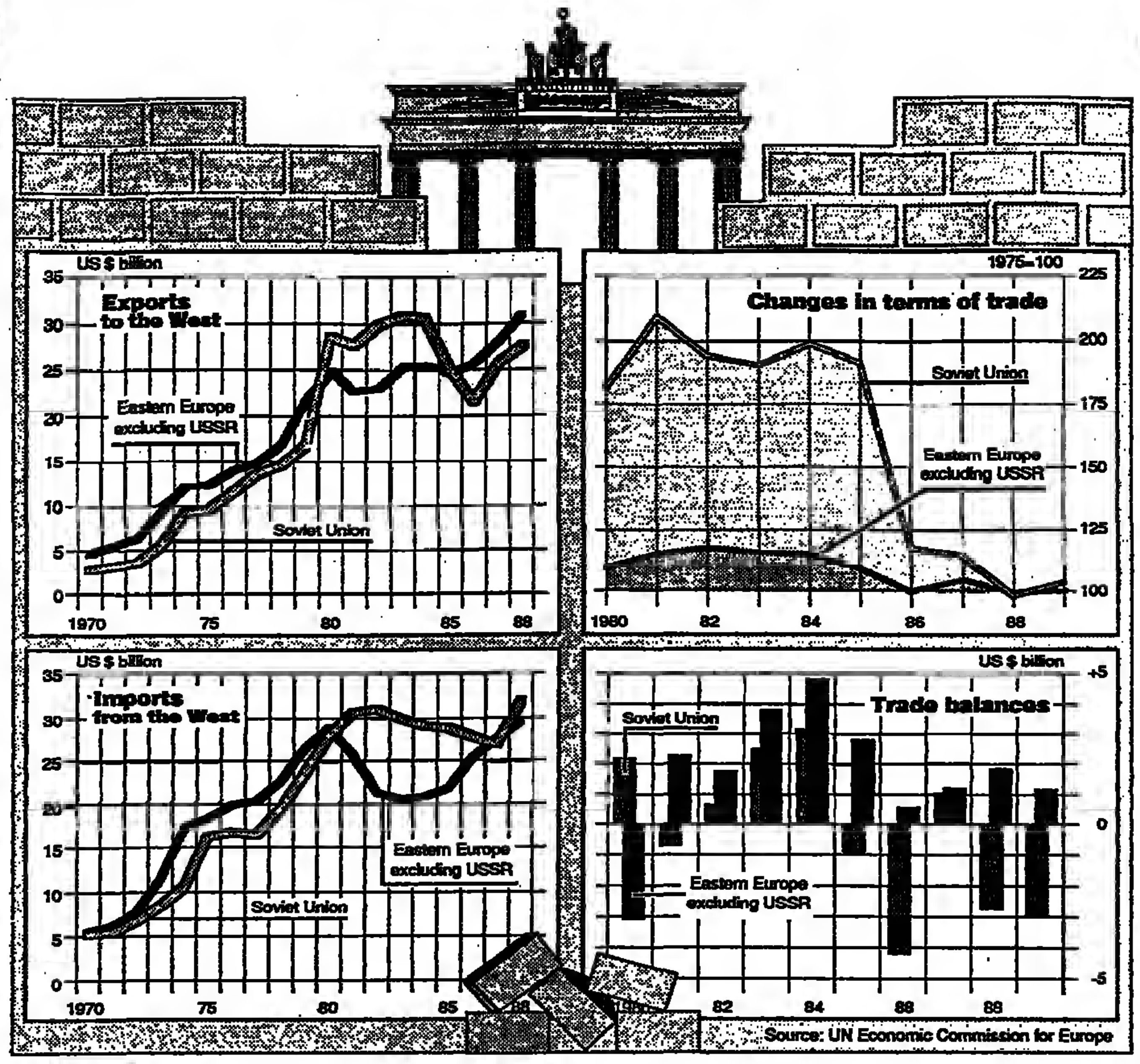


Source: UN Economic Commission for Europe

East-West Trade

Evolution, not revolution

THE MOMENTOUS political developments and upheavals in Eastern Europe and the Soviet Union have, for a while, overshadowed almost all but emergency aid measures for the East and trade relations.

However, there is an important difference between the way in which political events have evolved and the path followed by, in particular, East-West trade and investment. The extent and swiftness of political change in the East – the opening of the Berlin Wall being the most dramatic example – took many by surprise. Speculation about European political alignments has taken on a new urgency.

By contrast, economic links between East and West have been changing ever since the age of glasnost and perestroika. Parallel with this, several Eastern countries, led by Hungary, Poland and the Soviet Union, have initiated moves to restructure their trade laws and organisations by reducing the role of the central authorities. They have aimed at increasing enterprise autonomy, improved pricing systems to create better linkage with world market prices and, ultimately, the generation of much-needed hard currency.

But the Geneva-based UN Economic Commission for Europe (ECE), in its most recent report, sounds a warning: "The difficult issue facing (Hungary and Poland) is how to manage the transition from centrally planned to market systems, and this – especially in Poland – in the face of sharply deteriorating economic performance." The response from the West has been, by and large, measured and cautious – but not without results.

The fact that economic evolution in the East preceded the political crises has given it a momentum which should ensure its survival.

There are parallels between the economic and political developments – in the patent shortfalls in the systems. Centralised economies have failed to produce much-needed consumer goods and develop technology to match that of the West.

The Council for Mutual Economic Assistance (CMEA or Comecon) has fallen far short of the aims it set itself at its foundation in 1949. Yet, even as late as a Comecon meeting in 1988, there was agreement – Romania dissenting – on the "gradual creation of conditions for the free movement of goods, services and other aspects of production ... with a view to forming a unified market in the long term." A Hungarian official described such an aspiration as a "pipe-dream".

The features of Comecon countries' inefficiencies during the mid-1980s are well-established. Economic growth slowed. With the exception of Romania, the Soviet Union and East Germany, there were balance of payments deficits with the West. They were unable to generate hard currency in sufficient quantities and the environment was seriously abused.

It is small wonder that links with the comparatively prosperous and voluntary European Community (official mutual recognition between EC and Comecon came in a declaration in June 1988), and formerly reviled institutions such as the World Bank, the International Monetary Fund (IMF) and the General Agreement on Tariffs and Trade (Gatt) became enticing. These aspirations have produced their own pressures for change because full membership of such organisations and incorporation into the global economic system requires further shifts away from centralised decision-making and prices set by government fiat.

ECE, in its report published last month and compiled before the most recent political developments, concluded broadly that East-West trade in the first half of 1989 had continued to expand with a substantial quickening of the imports of Eastern countries. Eastern exports, however, grew much more slowly and the current account balances of the Soviet Union and countries of Eastern Europe with the West had deteriorated sharply.

The problem of statistical sources is illustrated by ECE figures elsewhere in the report. This is because in some chapters Eastern sources are used and in others the reliance is on the trade returns of individual Western countries. Against world trade growth of 8.5 per cent in 1988 and 7.5 per cent estimated for 1989, East European exports with developed market economies grew in value by 9.1 per cent in 1988 but fell to 3.4 per cent during the first six months of 1989 (compared with a similar period in the previous year). Imports fell from 8.3 to 6.1 per cent over the same periods.

By contrast, exports from the Soviet Union rose from 7.8 to 9.4 per cent while the rate of import growth fell by more than half from 22.6 to 10.9 per cent. (Latterly a Soviet official has admitted that exports have slumped badly.)

At the same time, countries of the East have a revived appetite for recourse to raising funds on the international financial markets. These hit a peak in 1985 of $5.3bn and, after a dip, recovered to $4.3bn last year. In the first three quarters of this year $3bn was raised, compared with $1.7bn in the same period of 1988.

The challenge to the West has been finding ways of coping with chronic shortages of hard currency in the East. There is a reluctance to embark on counter-trading, not least because of the shortage – with some exceptions – of goods of world quality. (The export of basic raw materials is a separate issue.)

In the short term, there have been aid programmes such as that launched by the Group of 24 in Paris last July. The targets for the $1bn (£641m) programme were Poland and Hungary, countries which already have institutionalised trade links with the EC. Last month's EC summit endorsed a $1bn stabilisation fund for Poland and a $1bn bridging loan for Hungary.

But Western countries have been trying to look at longer-term and more self-sustaining programmes to counter the hindrance imposed on Eastern countries by their lack of understanding of how market economies work. ECE has listed some 13 items of a programme of commitments by G-24 countries to Hungary and Poland for 1990, amounting to $782m. These put heavy emphasis on technical and managerial training and the environment. In the same context, the British Government launched last month the first Know-How Fund for Poland, and a second is to come into operation for Hungary next April.

Joint ventures have been much promoted as *the* way to promote East-West trade. But these have suffered from low levels of investment. According to ECE, by the middle of October this year, 2,100 had been established with well over 90 per cent as joint East-West projects. Hungary had concluded about 600 and Poland 400, with a combined total capitalisation of over $1bn. The Soviet Union now has more than 1,000 joint ventures registered, with capitalisation of around $4bn.

But speaking recently in Oslo, Mr Dimitri K Protsenko, a former Soviet Finance Ministry official, said that only 40 of the Soviet ventures remained fully operational and only three among the first 250 registered involved Western investment in excess of $20m. He attributed this low level – and most ventures tended to be in the services sector – to Western investors' caution and the problems of the repatriation of profits, guarantees and the non-convertibility of the commercial rouble.

In contrast with the comparatively stagnant experience of joint ventures, General Electric of the US is due to finalise this month an audacious deal with Tungsram, the Hungarian lighting manufacturers, which amounts to the largest inward investment by a Western company in Eastern Europe. It involves GE paying around $150m to acquire a 50 per cent stake in the Hungarian company with a view not just to increasing its share of the European lighting market but also to integrating its management within its global empire of power generation, medical systems and financial services.

It presents something of a dilemma for Western European governments. On the one hand, they are keen to support political reform by encouraging economic modernisation. On the other, similar deals elsewhere in Poland and East Germany going beyond sales and distribution into manufacturing at low-cost production sites for exports to Western markets, might provide an unwelcome trade challenge.

CoCom – the Paris-based Co-ordinating Committee on Multilateral Controls – which monitors the export of products and technical strategic value to the East bloc will have to re-examine the strictness of its controls. The prospects of cuts in defence spending by Washington and Moscow, detente in Europe and apprehension by those Eastern countries not in Gatt at being excluded from decisions reached in the Uruguay Round on liberalising trade have all weakened its role.

A recent report, accepted by a committee of the Western European Union (WEU), described the CoCom curbs as "a relic of the Cold War." If adopted at the ministerial meeting of the WEU, the defence and security organisation grouping nine EC members minus Ireland, Greece and Denmark, it will increase pressure on a cautious US to reduce CoCom controls and open the way to exports to the East of much-needed high technology.

The opportunities for the West in the East in terms of trade as much as of investment and aid are as open as ever. The risks for the countries of the East in radical economic and political reform remain. But the virtue of economic perestroika is that it was under way, however hesitantly, before the abrupt political upheavals of the past month. It is fair to predict that these upheavals may postpone the economic and financial reform process in some countries in the Eastern bloc, but it is less likely to halt reform completely.

How the East Bloc's trading framework is being reformed

Comecon is struck by Typhoon Perestroika

PRESIDENT Mikhail Gorbachev has told the countries of the East Bloc that they can travel their own roads to socialism. Will he now tell them to buy their own oil for the journey?

In recent months, the Soviet leadership has dramatically reduced its political ties with Eastern Europe's states. At the same time, the USSR is suffering a serious shortfall in oil production, which is currently running 12m tonnes below target. So, it is no surprise to hear some members of the country's Supreme Soviet demanding that in 1990 the USSR should cut its sales of oil and natural gas to the East Bloc, which are traditionally exchanged for Eastern Europe's relatively low-quality goods.

Such a move would drive a stake deep into the heart of Comecon, which for three decades has bound a large part of the Soviet Union's trade to its fraternal Socialist partners. Two-thirds of the Soviet Union's exports to its CMEA partners are in the form of energy, which is exchanged – mainly on a barter basis – for industrial and consumer goods. Now, Western and Soviet analysts are arguing that the Soviet Union has no political obligation to sell oil cheaply to the East Bloc, and that it will soon be economically rational to sell it on the world market for hard currency. Or, better still (as far as the Soviet citizens are concerned), not to sell it at all.

Enterprises dotted throughout the neighbouring countries are becoming reluctant to fulfil their side of the equation and sell to the Soviet Union

The loosening political relationship between Russia and its neighbours means that – in the long run – the CMEA trading relationship will disintegrate. Indeed, economic reform in most of the CMEA countries has already begun to disrupt the organisation.

Even before Typhoon Perestroika had struck East Germany and Czechoslovakia, strains appeared in Comecon because some countries – notably Hungary and Poland – had devolved trading decisions down to the producing enterprise. This has seriously interrupted the trading arrangements between member countries, most of which had traditionally been handled at ministerial level.

Now the size of the Soviet Union's oil export in each country is still agreed at government level; but the individual enterprises dotted throughout each of the Soviet Union's neighbouring countries are becoming more and more reluctant to fulfil their side of the equation and sell to the USSR. Hungarian and Polish enterprises are keener to trade westwards. There can be little doubt that Czechoslovak and East German enterprises will soon be doing the same thing, and further complicating the Comecon juggling act.

The muddle is one of the factors contributing to the huge trade imbalances building up throughout the region. Hungary, for example, has a large balance of payments surplus with Russia (amounting to around 1bn roubles in 1989), partly because the fall in the world price of oil has cut Moscow's earnings. The Budapest Government has therefore sought to reduce this trade imbalance, and in July 1988 it cut its subsidies to a number of companies exporting to Russia because their exports were deemed unprofitable.

Another associated problem is that the endemic shortages of goods throughout the region forces countries to restrict exports to their CMEA partners. In 1988, East Germany appeared to be selling fewer consumer goods to the USSR to satisfy its own markets. And traders in Czechoslovakia, the GDR, Poland and the USSR have all taken measures recently to restrict goods in short supply being exported from their countries to the rest of Comecon. Governments and enterprises are unwilling to export such goods abroad in exchange for non-convertible currency that they do not want.

Ironically, the revolutions in East Germany and Czechoslovakia will bequeath a new momentum to Comecon in the immediate future. The first half of 1989 was marked by squabbling over Comecon's structure between those states which had already set out on the path of reform (the Soviet Union, Poland and Hungary) and the rest of the bloc, which retained its hard-line leaderships, with their commitment to planned economies and barter deals.

This resulted, in June, in the last-minute cancellation of a Comecon summit at prime ministerial level because, as Hungary's Deputy Prime Minister put it, "extensive debates" were still going on about changes in Comecon's working. When a summit was held last month at economic minister level, the Hungarian delegation of three members took part only as observers.

Today, however, Romania alone stands in the camp of East Europe's hardliners, so that there should be greater consensus over a policy of trade reform. This has so far been pioneered by Hungary and Poland, which have been keen to switch more of their trade in the direction of the West.

Their aim is to reform the Comecon trading framework in two ways: first, to move away from a planned and integrated framework for the entire bloc towards one which stresses bilateral links both between member countries themselves and with individual western states; and secondly, to move from a barter basis within Comecon towards one based on currency payments. This will provide greater flexibility and choice of trading partners.

Some reforms along these lines have already been introduced, including the enhanced use of the transferable rouble, by which payments can be agreed in national currencies at mutually agreed prices and exchange rates.

Now Hungary, according to Mr Jan Vanous, editor of the PlanEcon journal in Washington, is talking about trading with the Soviet Union in hard currency from 1991, when the new batch of trade agreements will have to be drawn up by Comecon countries.

Moving from a barter basis towards one based on currency payments will provide greater flexibility and choice of trading partners

According to Mr Vanous, a move to dollar-based trade will mean that Comecon no longer effectively exists: once countries are trading in dollars there will be no bar to them arbitrarily choosing to trade with the West. That would appear to be Hungary's long-term aim. However, the Hungarians are unlikely to win their independence to trade easily because their huge foreign debt will make it difficult to buy oil at world market prices in hard currency. So, although Hungary has a trade surplus with the Soviet Union in roubles, it is now reported to be trying to negotiate a five-year Soviet loan to cover the new hard-currency debts that will accrue.

Whatever the outcome of such negotiations, the new era of reform throughout Eastern Europe must spell the demise of Comecon as we know it. Already, at the earliest stage of the latest Hungarian and Polish reforms, individual enterprises are resisting the compulsion to trade with the East Bloc as much as possible. The next stage will be more drastic: the reform-minded governments of the bloc will have to wind down subsidies to many enterprises.

The de-monopolisation of business in Eastern Europe implies that fewer and fewer enterprises will be forced to trade in non-convertible currency. This opens a challenge to businesses throughout the continent of Europe.

James Blitz

Financing deals with East Bloc countries

The lender gets a central role

THE SHORTAGE of foreign exchange in East Bloc countries and the changes wrought by economic reform have combined to create new challenges for banks seeking to financing Western project deals.

Though experience varies from country to country – some such as East Germany still do not permit joint ventures while Romania has banned all forms of foreign borrowing – it is no longer antomatically possible to finance deals with straightforward export credits.

Increasingly, exporters and their bankers, too, are having to assume some of tha risks themselves.

The idea of limited recourse financing is a novel one for centrally-planned economies which traditionally do not acknowledge the Western concept of bankruptcy.

In the old days, before perestroika, all that bankers required was a centralised state guarantee on their loans. Now that the concept of the market is creeping in to the Soviet way of life, they freqnently also have to examine the risk inherent in the project itself and sometimes have to structure the financing to reduce the risk.

One of the latest examples of this is the proposed loan package for the $2bn joint venture led by Combustion Engineering of the US to develop a petrochemicals complex at Tobolsk in Western Siberia. Part of this package will comprise a $250m to $300m commercial loan whose terms will require lenders to shoulder some commercial risk.

The banks involved in the transaction, Credit Lyonnais, First Chicago and Postipankki of Finland are still working out final details of the financing with the project adviser, Morgan Grenfell, but it is expected that the only Soviet support for the loan will come in the form of completion and delivery guarantees of final product.

This will taken up by Neste of Finland, one of the venture partners. Lenders will have to rely on it fetching a price high enough to cover debt servicing requirements.

During the past year, several transactions that have surfaced further illustrate this principle and show how it is now being commonly applied to Soviet project financings. One of these was a loan package arranged by Moscow Narodny, ths London-based Soviet bank, for a project in Azerbaijan to produce light commercial vehicles to standards thnt would allow exports to the West.

> **The Soviet Union now expects its projects to be self-funding in foreign exchange**

This included a £100m loan tranche, bearing interest at market rates and a flexible maturity schedule synchronised with the projected cashflow from the plant. There was no underlying government guarantee and lenders have to rely on hard currency earnings from the plant for interest and dividend payments.

Similarly, Morgan Grenfell arranged n $340m trade finance loan to finance modernisation of a polyethylene plant at Buddyenovsk in the South Russian project of Stavropol. This loan, which took several months to prepare, also requires lenders to take a risk in the commercial success of the project.

The loan was made available to Asetco, a joint venture between John Brown Engineers, Morgan Grenfell, Moscow Narodny Bank, two Soviet chemical enterprises and Gipproplast, the Soviet design institute. Together, these institntions set np Asetco last year as a Channel Islands company to handle Soviet projects.

Asetco's role is to handle the modernisation of the Buddyenovsk plant and repay the loan out of the proceeds from the sale of polyethylene produced there. To facilitate this, it separately negotiated a polyethylene marketing agreement with Union Carbide.

Under the loan contract the plant has to make available a maximum of only 100,000 tonnes of polyethylene over a nine-year period to Asetco, and lenders are taking the risk that the proceeds will be sufficient to meet debt service needs. The Soviet Government has agreed to compensate them only if the plant fails to meet its delivery schedules but not if the price of polyethylene is too low to satisfy debt service requirements.

Part of the loan, amounting to around £80m, is also backed by the Export Credits Guarantee Department under its rules for supporting private sector projects. Its guarantee backs up only the Soviet pledges on supply, however, and, once again, would not compensate lenders for a slump in the price of polyethylene.

One of the common threads that emerges from these deals is that the Soviet Union now expects its projects to be self-funding in foreign exchange. That means lenders may have to be prepared to analyse the commercial risk and sometimes, by helping organise marketing arrangements in the West for the products that result from the project, they may even be expected to play a central role in making a project viable.

In short, the business of financing trade with the Soviet Union and other East Bloc countries is beginning to require a large measure of traditional merchant banking skills. The days of plain vanilla lending are drawing to a close.

Peter Montagnon
World Trade Editor

Profile: LB-INTERNATIONAL

Two-way access from Vienna

"TEN YEARS from now, no-one will be talking about East-West trade. It will just be trade," says Mr Thomas Gillespie, managing director of LB-International Trade Services (a wholly-owned subsidiary of Landerbank-Exportbank).

LB-International, based in Vienna, specialises in barter trading, compensation deals, connter purchase and buy-back. It has been active in Eastern Europe for several years and the company's location in Vienna is seen as a trading strength – as it has easy access to both Eastern and Western markets.

Mr Gillespie's involvement with East European trading began in the mid-1970s. He sees the changes taking place in the region as a stimulus for business, but explains that a new, more flexible approach is needed. Traditional cash transactions will become increasingly difficult as the region undergoes a transformation into market economies, and bnsinessmen interested in doing business must find new ways to finance deals.

LB-International specialises in countertrade. However, trading with Eastern Europe has become complicated and simple barter trade has all but ceased in the area. Instead, says Mr Gillespie, traders need to offer a range of services including compensation, counter purchase, leasing and buy-back options. Western businessmen need to find a way round the shortage of hard currency and Mr Gillespie thinks using forms of countertrade is one way.

More flexible and innovative methods, rather than a traditional cash buying and selling approach, is needed in Eastern Europe, believes Mr Gillespie. This year LB-International began using leasing arrangements to fund projects. In its first leasing operation in Eastern Europe, LB-International helped to fund the purchase of equipment which was used to develop production for export to hard currency markets.

"We buy the equipment and lease it to the East European user," explains Mr Gillespie. The enterprise pays for the new equipment in instalments through a West European trade company which sells on the production to hard currency markets.

A variation on this is buy-back. Mr Gillespie says some manufacturers are shifting production out of Western Europe, where costs are high, into Eastern Europe where wage costs are lower. Most of the products are exported to hard currency markets, but some are sold on the domestic market.

In this kind of deal, the production arrangement eventually becomes a long-term supply contract once equipment purchases are paid. Both these forms of business are becoming popular, as it helps the Western partner sell goods and receive quality products, while the East European partner is able to pay for new technology, improve supplies on the home market and develop export markets.

Another idea from LB-International is to use raw materials purchased through agreements with developing countries, processed in Eastern Europe into semi-finished products. These goods can then be sold to Western Europe as a countertrade product. For example, explains Mr Gillespie, raw cotton from India can be bleached and made into fabric by the East European partner, and offered as a countertrade product through a trading company in Western Europe.

Mr Gillespie agrees that changes in Eastern Europe will mean different trading conditions. There will be more costs involved, as decentralised trade means more travel and time. Language will also be a problem. Few people outside major cities speak foreign languages and interpreters are difficult to find.

The main problem, however,

> **"We give them dollars to buy equipment to make what we want"**

he says, will be in helping East European countries to raise the quality of their production. That includes packaging, storage, stocktaking procedures, transport and marketing. Mr Gillespie argues that East European countries need to improve in all these areas if the potential of hard-currency exports is to expand.

"The tendency will be for big deals to become more difficult to achieve – except perhaps in the USSR. We are moving towards 'combined business'. We give them dollars to buy equipment to make what we want and part of the product sales repays for the equipment purchased. This is not countertrade, not cash upfront business. These are the patterns of business which are becoming crucial," says Mr Gillespie.

In the 1990s, he says, Austria's role will be changing. "Vienna has to get more international, more in touch with markets. It is too East European oriented. We should become a turning disc between European Community countries and Eastern Europe." In the future Mr Gillespie thinks Austria will "become something of a service industry centre – including financial services as well as traditional trading ones.

"Something new is happening in trade with Eastern Europe and over the next couple of years we – as a company and in Austria – need to find a solution to this new relationship," he says.

Margie Lindsay

FUTURE OF COCOM

US backs 'relic' of cold war

THE EXTRAORDINARY pace of political reform in Eastern Europe has placed a question-mark over the usefulness of the West's controls on exports of strategic technology to the region.

The Paris-based Co-ordinating Committee on Multilateral Export Controls (CoCom), the 17-country organisation devoted to stopping exports of militarily useful technology to Communist countries, now faces the greatest pressure for change since its creation 40 years ago. The problem, argue its European members, is that secretive CoCom has not fully adapted its old adversarial mentality to the changes sweeping through the East.

The dismantling of the Berlin Wall and the changes in Czechoslovakia have brought the debate to the boil. CoCom's controls look like "a relic of the cold war" and need complete review "to encourage maximum opportunities for trade," says a report debated this week at the assembly of the Western European Union (WEU), the defence and security organisation which groups nine member states of the European Community, minus Greece, Denmark and neutral Ireland.

However, any big reform in CoCom rules is likely to be slow. For one thing, its decisions must be made unanimously, with the agreement of the cautious US, the organisation's unspoken, but increasingly challenged, head.

CoCom's annual high level meeting in September, at which officials aimed to set policy for the year ahead, showed very little consensus on the crucial details of how and at what speed to reform its controls. The best they could manage was agreement that the organisation should continue with its broad remit of controlling strategic exports and go on talking about reducing export controls to Eastern bloc reformers like Poland and Hungary.

For another thing, the future of CoCom, which groups the Nato countries minus Iceland but plus Japan and Australia, is bound up with that of Nato itself. Officials say that CoCom is a kind of strategic trade arm for Nato, setting trade rules that support the Atlantic Alliance's military credibility. So CoCom cannot consider a major change in its role until Nato has reassessed its own position in the light of the upheavals in Eastern Europe, they argue.

All the same, there are important practical issues on the table between now and CoCom's next high-level meeting next July. The Europeans have long suspected that Washington's conservatism reflects a tendency by US industry to view CoCom as handy protection against European competition, a convenient side-effect of the organisation's strategic job.

US officials strongly deny this. Mr Reginald Bartholomew, the US under-secretary of state for security assistance, science and technology, who chaired the last high-level session, maintained afterwards that the US wanted to use the organisation only for strategic, not trade, protection.

Everybody agrees that the priorities should be to improve the enforcement of CoCom controls and to reduce the number of goods on its lists: to build higher fences around fewer products, to use the organisation's own jargon. The difference of approach is that the Europeans, keen to sell into the Eastern bloc's huge market, want to streamline controls first and build fences later, while the US wants the two to proceed strictly in parallel.

Most of the debate up until the next meeting will take place bilaterally between national capitals, for the tiny CoCom secretariat, with its staff of 30, is only the administrative centre of a bureaucratic web that involves around 100 officials in each participating country and far more than that for the US. The detail of the issues they are talking about is as follows:

● **Enforcement.** This has been made an issue by a growing number of recent CoCom violations, such as the sale of Japanese milling technology to the Soviet Union to help make ultra-silent submarine propellers. This has worried the US and brought home to officials that the rules must be seen to be effective if businesses are to be expected to observe them.

Enforcement has also been pushed into the limelight by the progress of the European Community's internal market project. In theory, CoCom's 11 EC members – all but Ireland – will not be able to run border checks after 1992, by when they aim to have scrapped their own internal frontiers. Internal checks between CoCom members account for roughly 90 per cent of all trade vetted under the organisation's rules, estimate US officials. These are needed to track down controlled goods that might get a licence for export from a security-conscious member like the US to a less tightly-controlled country, for illicit shipment to the Eastern bloc.

All accept that CoCom members need to observe common standards – though not harmonised rules – of enforcement, including a fast licensing system to help legal trade take place more efficiently and proper legal powers to expose and punish cheats. A working group of national officials aims to produce a progress report on this at the next high-level meeting.

● **Streamlining.** CoCom's control lists cover around 100 product headings, from powerful lasers to missile guidance systems and robots, broken down into several thousand key components, each of which also need export licences. There are three lists, covering atomic energy, weapons – about which there is little argument – plus so-called "dual use" goods, with both industrial and military uses.

This last list, under continuous review, takes up the bulk of CoCom's time and is the source of much controversy. European observers argue Communist countries can increasingly shop outside CoCom for controlled goods – in south-east Asia, for example – while consumer electronics is gradually taking over from defence as the driving force behind new technology.

West Germany, with the support of its fellow Europeans, has long been urging a reluctant US to agree to drop from the list very high tolerance machine tools, where European prodncers have a broadly accepted edge over American competition.

The West Germans find the US caution on machine tools hard to accept in view of Washington's support of a ruling last July to lift controls on the export of 16-bit microcomputers, another dual use product, in which the US is by contrast more competitive than the Europeans.

● **Political change.** The Europeans, again led by West Germany, are pushing for CoCom to set lighter controls on exports to Poland and Hungary in recognition of the democratic progress there. CoCom extended special treatment to China in 1985 for the same reason, but froze any further developments after the June massacres in Peking. Washington's answer is that special treatment for the East Bloc reformers should come only after all CoCom's members have shown real evidence that they are implementing tougher controls. In short, the US wants the Europeans to stand by their promises.

William Dawkins

EAST-WEST TRADE 3

Profile: RANK XEROX

The missing photocopiers

AFTER 150 visits to the Soviet Union, Mr Ralph Land, Rank Xerox's extrovert manager in London in charge of operations in Eastern Europe, still finds the Soviet market challenging and exciting. This year — despite difficulties in trade relations brought about by the changes and decentralisation in foreign trade operations in the region — trade turnover with the Soviet Union has grown by over 20 per cent compared with last year and business in the rest of the region has also improved.

In the 1990s Mr Land expects the Soviet Union to continue to provide the best prospects for increasing trade. The potential of the Soviet market is particularly large and untapped, he says. As an example, Mr Land estimates that a developed Western country of a similar size would need around 4.5m to 5m photocopiers.

At present, the Soviet Union has only approximately 60,000. "You must look at the market. Their aim is 4m photocopiers. You need to consider what's possible. The majority of companies look only at whether hard currency is available. They whine and complain that they can't do much without money."

Mr Land thinks this attitude is counter-productive. He prefers to look at the problem from the point of view of what Rank Xerox can do to sell its products. This sometimes means helping the partner improve product quality in one area, so it can export in order to fund purchases of Rank Xerox equipment.

"Countertrade and co-operation are the major planks of our business. We use the more sophisticated methods of countertrade. We look to create added value to (Soviet) products and aid export capacity in the country ... We know the market is short of hard currency so we look for all kinds of ways of doing business, including clearing accounts and assembly projects," he says.

He finds the changes taking place in Eastern Europe particularly exciting for businessmen. Changes in East European and Soviet foreign trade mean that Western businessmen face many new opportunities, but also new challenges. "It is no good sitting in the capitals meeting foreign trade organisations. Businessmen need to get out into the field — to be more mobile, to get more staff. This is not an easy transition for any of these economies, and particularly not for the Soviet Union."

The move to a market economy will also be costly for Western businessmen trying to find a market for goods. Mr Land thinks Western companies need to look at the possibilities of using agents, distributors or opening local offices, or combinations of these approaches.

"Western business needs to rethink its policies. It needs to identify where the new opportunities are and looking at these could be quite costly," he points out, adding that companies must decide what they can afford before getting too involved in these markets. "Companies have to be a little careful at the end of day," he says.

The political and economic uncertainties of the region may discourage some companies, but Mr Land believes Western businesses which are in at the beginning of the process stand a better chance of keeping a market share when better days come.

At the same time, companies should be cautious. He understands why many are reluctant to become involved in some of these markets at this stage "because of the investment costs in both time and money." But he adds that "if they are not in there now and in at the changing time, someone else will be. There is opportunity and risk, and companies must accept this."

Ralph Land of Rank Xerox

One way Western companies can help promote good relations as well as increase the possibilities of trading with potential partners is by helping in management training. At present Rank Xerox has given £50,000 — matched by a further £50,000 from the British Council — to the Soviet Union for a variety of management training schemes. These projects include sending Soviet managers to the London Business School and helping to send British trainers to the USSR.

Mr Land thinks Western companies can help Soviet and other East European partners to improve product quality control, another area of major concern for both sides. For a relatively small amount of money, large improvements in the understanding and use of Western management techniques and quality control methods can be injected into the East European system, he says.

In this period of change and transition, Mr Land recommends companies to become involved, but warns that optimism should be "tempered by some caution. The only certainty in these markets at present is uncertainty."

Margie Lindsay

TOP 10 EXPORTERS TO THE EASTERN BLOC (Figures in $m)	1988	1987	1986	1985	1984	1983	1982	1981	1980	1975	1970
West Germany*	11,181	9,904	9,033	7,315	7,105	7,719	7,528	7,587	9,443	6,458	1,296
Japan	3,905	3,280	3,831	3,314	3,007	3,564	4,472	4,012	3,584	1,674	447
US	3,637	2,190	1,960	3,207	4,167	2,879	3,595	4,255	3,843	2,778	352
Italy	3,589	3,595	2,879	2,631	2,475	2,710	2,448	2,459	2,728	2,167	702
Finland	3,481	3,371	3,540	3,159	2,768	3,460	3,756	3,707	2,814	1,313	361
France	3,354	3,089	2,751	2,909	2,959	3,331	2,811	3,906	4,843	2,602	647
Austria	2,644	2,447	2,165	1,886	1,907	1,868	1,743	1,808	2,108	1,279	368
UK	2,128	1,831	1,706	1,527	1,747	1,434	1,505	2,028	2,628	1,293	598
Switzerland	1,894	1,490	1,133	861	751	774	811	852	1,063	744	210
Netherlands	1,249	1,300	1,058	907	840	1078	994	1,386	1,420	793	210
Western Europe	41,790	38,957	38,312	32,983	30,913	33,148	32,999	35,912	38,707	23,380	6,561
North America	4,807	2,940	3,091	4,575	6,049	4,557	5,620	6,148	5,616	3,378	485
Developed market economies†	50,503	45,117	43,234	40,872	39,970	41,269	43,092	46,072	47,907	28,936	7,493

*Excluding trade between East and West Germany. †Including trade between East and West Germany. Source: United Nations commodity trade data

European Community relations with Eastern Europe

Groping for a new strategy

AN INSTANCE of the way in which the European Community is scrambling to keep up with events in Eastern Europe came just before the first trip by Mr Jacques Delors, the Commission president, to Hungary in mid-November.

Startled to learn that, despite its appointed role to co-ordinate Western aid to Hungary (and Poland as well), the Commission had no man-on-the-spot in Budapest, the Delorian order came from on high to a certain British Eurocrat that he was to set up an office in the Hungarian capital by the week's end. "But I've got a wife, two children and a cat," pleaded the Eurocrat. "OK," came the great concession, "be there by next Monday."

This sense of urgency reflects a feeling in Brussels and elsewhere in the West of the need to support the historic changes in Eastern Europe quickly lest they degenerate into chaos.

The task falls mainly on the Community because it has the big adjacent market and resources to help Eastern Europe pull itself, by aid and trade, out of its sorry economic state. In recognition of this, the seven big industrialised countries asked, at their July summit in Paris, the Brussels Commission to co-ordinate all aid from some 24 Western aid donors to Poland and Hungary.

What is therefore emerging is a package — no less comprehensive for lacking the name of Marshall — of trade concession, financial aid, macro-economic advice and technical know-how.

So far, the full benefits are directed only to Warsaw and Budapest, where non-communist governments are either in power or in prospect. But the dramatic events in East Germany will, if sustained, probably move that country to the front of the queue for Community trade and aid.

In contrast to the Soviet Union and the rest of its East European allies, East Germany has yet to start negotiating with Brussels for a trade agreement. But the EC Council of Ministers is set to give the green light to the trade bargaining, and to the request by Mr Hans Modrow, East Germany's new Premier, that the negotiations should also include economic co-operation in a wide range of sectors.

Negotiations of the same scope are well under way with the Soviet Union, and could be concluded early next year. Because the bulk of its exports to the EC are energy commodities that bear few tariffs and quotas, Moscow will reap the benefits less in trade terms than in enticing EC companies to invest in joint ventures and in getting technology and management know-how from the Community.

If reformers do replace the repressors who have been in power in Prague, Czechoslovakia could expect an equally broad arrangement with the Community; its 1988 agreement with Brussels only provides for a modest reduction in the Twelve's national quotas on Czechoslovak industrial goods.

Ironically, despite a change of Communist leadership for the better in Sofia, trade/co-operation negotiations with Bulgaria have been in suspense in the second half of this year, though expected to resume soon. Only with Romania — the first Comecon country to reach a trade agreement with the EC (in 1980) — are relations at a total standstill.

In groping for a new strategy towards the fast-changing East, the Community is going to have make major changes. One such change was signalled after the EC's special Community summit in Paris when it was agreed that the Twelve should push for a major revision of Cocom export security controls.

"How can we help Eastern Europe with major infrastructure projects?" asked Mrs Edith Cresson, France's European Affairs Minister, "when Cocom forbids us to export key items like modern telecommunications?" Hungary, for instance, has been vainly seeking for several years to buy CoCom-controlled telephone exchanges.

The speed, too, of political developments means that certain trade agreements are out of date before the ink is dry. Take, for instance, negotiations with Poland this year. The Community started off in early spring by offering the Poles reduction, not abolition, of specific EC quotas on Polish industrial goods. By April, it was ready to phase out all such quotas by 1994, and an agreement to that effect was signed in September. By early November, it was prepared to do away with these quotas on January 1 1990, increase the farm trade concessions granted in the September accord, and to give Poland preferential tariff status normally awarded developing countries.

The same revisions have been proposed in Hungary's 1988 agreement, with the practical difference that agriculturally competitive Hungary will be able to exploit farm trade concessions from Brussels in a way that food-short Poland will not. In late November the Commission proposed easing EC restrictions on steel and textiles, which is normally almost as sensitive a Community issue as import breaches in the Common Agricultural Policy wall.

The EC executive body also suggested that Poland and Hungary should be exempted temporarily from general quota restrictions imposed on a wide range of goods, ranging from mini-buses to shoes, to toys from many countries, not just from state-trading Comecon. If this gets EC governments' approval, it will give the Poles and Hungarians a head-start in the EC market not only over their Comecon brethren but also over many non-communist exporters.

The Commission has doled out highly-political financial advice, with Delors urging the Poles to go for monetary reform

In the medium and long term, these two countries must, as Mrs Margaret Thatcher said at the Paris summit, "pull themselves up by trading." But the hard currency trading accounts of both countries appear this year to be down from their 1988 surpluses of $700m (Hungary) and $960m (Poland). Their trade needs to be substantially in the black if they are ever to shoulder their debt burdens which are now roughly equivalent, given that Hungary is one third of Poland's size but with nearly half the amount of its debt.

Estimating the effect of greater access to the EC market is hard, given that EC trade accords only put on paper opportunities which have to be exploited in practice. Earlier this year, Hungarian national bank officials were reckoning that their 1988 agreement would be worth an extra $50m a year in hard currency earnings.

This estimate must now be revised upwards in the light of new concessions. The same goes for Poland, though its sicker economy is less well placed than the Hungarian to exploit the breaches in Community trade protection now on offer to Eastern Europe's politically reformed.

But what has really drawn Brussels into Eastern Europe is the task the European Commission has been given to co-ordinate Western aid to Poland and Hungary. This includes aid from the Community collectively (amounting so far to some Ecus 700m, roughly half in food aid and half in project aid, the offer of Ecus 1bn in European Investment Bank loans over the next three years, and the likelihood of up to Ecus 200m in infrastructure loans from the European Coal and Steel Community), and bilateral aid being given by individual EC and other Western states. In the process of overseeing this, the Commission is being sucked into a pretty political role.

Jacques Delors: keeping up with events

In the political vacuum that has developed in Budapest, with a weak Communist caretaker government sparring with myriad non-communist parties in advance of next year's planned elections, Mr Delors has been seeking to get all sides to agree to take out of the political arena the argument over how to reach an austerity programme with the International Monetary Fund. Ironically, this involves asking Hungarians to stop playing the free party politics they have not been at liberty to practise for the past 40 years.

In Warsaw, as in Budapest, the Commission has been doling out highly-political financial advice, with Mr Delors urging the Poles to go for "a big bang" monetary reform, with a $1bn hard currency gift from the West, swingeing devaluation of the zloty, and creation of a new, larger unit zloty (as West Germany did with the D-mark after the Second World War), all designed to find the zloty a stable and convertible value.

The most lasting benefit which the Community has to offer Eastern Europe is access to a West European single market that may soon be extended beyond the Twelve to embrace the six Efta countries. The planned disappearance, post-1992, of internal EC frontier checks and therefore of the means for individual EC states to administer national quotas on imports from Comecon should be an advantage to East European exporters.

It may, too, pose Brussels a particular problem concerning inner-German trade, and the possibility that East German goods entering West German under this special regime may, in the absence of internal EC checks, "leak" into the rest of the Community.

Hitherto, such leakage has not occurred to any significant extent, because inner-German trade is tightly regulated by Bonn and constrained by its barter nature. But this constraint would disappear if the East German Ostmark were to become convertible, and regulation could well become harder if East Berlin were to break up its industrial Kombinate and de-monopolise its foreign trade.

For these special reasons, there is particular urgency in Community negotiation of a general trade accord with East Germany.

David Buchan
Brussels

Margie Lindsay on joint venture prospects

Investors welcome

FOUR DECADES of limited possibilities for capital investment in Eastern Europe, the region now offers foreign investors an embarrassment of choices. Privatisation programmes, the possibility of 100 per cent foreign ownership, co-operation, leasing and joint ventures are all possible.

Despite the new options, joint ventures remain the most common form of foreign investment in the region. Companies – many of which prefer to take majority control of joint ventures – like this form of investment, rather than trust to the uncertainties of other options. For example, privatisation in Hungary has started, but there are many questions on limits to direct investment as well as some problems in gaining approval for proposals. In Poland, the privatisation process is in an experimental stage and only two deals are expected to be completed by the end of March 1990.

Nevertheless, the new political climate in these two countries has encouraged development of joint venture businesses. While the political and commercial risk may have increased in both Hungary and Poland, many companies consider the developments there to be positive.

This more active approach to the market is reflected in the increase of foreign investment through joint ventures in these two countries so far this year. In the first half of 1989, the number of joint ventures in Hungary more than doubled compared with the period between 1974 (when the first joint venture law was brought in) and 1988. Capital investment rose to Ft 21bn ($355m) from Ft 4.2bn at the end of 1988. A further 250 joint ventures await registration: many are likely to be completed before the end of the year.

A similar increase in joint venture activity has been seen in Poland. Since regulations changed in December 1988, liberalising foreign investments in the country, the number of joint ventures has increased. By September 30 this year, a total of 490 new joint ventures had been approved, with total equity paid up by foreign partners amounting to $70.3m. By the end of the year, total investments in new ventures may reach $800m.

The prospects for 1990 are even better, according to Mr Hubert Janiszewski, vice-president of the Foreign Investment Agency in Poland. He thinks "the atmosphere of today's Poland is very good for foreign investors" and hopes that the results of the earlier joint ventures will encourage further investments from both outside and inside the country.

The Soviet Union is another country where joint venture interest is considerable. At the end of October, total capital investment in joint ventures in the country totalled R2.5bn ($1.6bn), of which over half consisted of hard currency contributions by foreign investors. There are over 600 joint ventures set up in the Soviet Union with foreign participation, but many of these are in non-productive spheres and the majority are still considered to be closer to buy-back and co-operation arrangements rather than real joint venture arrangements.

Changes in the political scene elsewhere in Eastern Europe could also encourage joint venture investment. In particular, the leadership change in Bulgaria could mean a more liberal attitude towards joint ventures and a bigger push toward market reforms. In January this year, Bulgaria published new rules for foreign participation in Bulgarian enterprises which apply to the full range of business activities in the country.

Under the new rules, set out in Decree 56, foreign companies are allowed to set up in partnership with Bulgarian companies or independently or though a subsidiary. Majority foreign ownership is allowed, but state permission is needed if the Bulgarian share drops below 51 per cent. Tax rules applied to profits of joint ventures were also changed, giving more incentive to investors.

However, there was no rush by Western companies to set up new joint ventures in the country. This may change next year if the country begins a real economic reform which decentralises foreign trade activity and makes operating within the country easier for foreign companies.

Czechoslovakia, while one of the last to begin significant political reforms, is seen as one of the most attractive countries for joint venture investments. Under a new law which came into force on January 1 1989, foreign participation in joint ventures is unlimited, although some level of Czechoslovak participation is necessary. Joint ventures are allowed to be set up in any sector, including banking, although different rules may be applied to such joint companies.

This year there has been little activity by foreign investors in Czechoslovakia but, with promises of faster economic reform, the country may become more attractive. It already has a highly skilled labour force and a relatively good industrial base on which to build. However, most of its once competitive industry is in need of modernisation and new technologies, particularly in the areas of conservation of energy and raw materials and environmental control.

East Germany still does not allow joint ventures, but this may change soon. Foreign investors there will be eager to take advantage of the industrial infrastructure and skilled workforce. However, there has been, to mention so far from the East German authorities of a liberalisation in the foreign investment area, although some decentralisation of foreign trade is on the cards.

Romania's growing isolation within Eastern Europe and its strained relations with the West have been reflected in a drop in joint venture formations this year. Unless the leadership there undergoes a radical change, it is unlikely that Western investors will look favourably at the country while the rest of Eastern Europe offers far better prospects in a more liberalised economic environment.

In general, foreign investors still face the same old problems when trying to invest in almost all countries in the region. The lack of hard currency make the operation of joint ventures more difficult, but Western companies are finding that East European governments are becoming more flexible, particularly on repatriation of profits. Some are also granting special privileges to joint companies which produce goods for the domestic market which can be substituted for expensive, imported items.

In general, foreign investors still face the same old problems when trying to invest in Eastern Europe: a non-market economy where hard currency is in short supply. There is also a lack of infrastructure – telecommunications, transport and banking.

The writer is Editor, East European Markets, a Financial Times newsletter.

JOINT VENTURE INVESTMENT IN HUNGARY
Values in millions of forints

Sector	1974-88	%	January-June 1989	%	Total	%
Industry	9.15	54.5	1.676	39.4	10.834	51.4
Food industry processing	1.074	6.4	0.15	3.5	1.224	5.8
Communications and transport	0.116	0.7	0.094	2.2	0.21	1
Commerce	0.387	2.3	1.366	32.2	1.753	8.3
Tourism	2.399	14.3	0.277	6.5	2.626	12.5
Other	3.679	21.9	0.741	17.4	4.42	21
Total	16.813		4.254		21.067	

Source: Investcentre

New Joint Ventures in Poland

Dec 31 1986-July 1 1989	52*
Jan 1 1989-Feb 28 1989	91†
March 1989	31
April	41
May	60
June	72
July	105
August	92
September	90
October	115
Total	657

*Under 1986 joint venture law. †Under 1988 investment law. ‡The total paid-up equity of 806 new joint ventures approved until end-October 1989 is estimated at approximately $120m, plus investment loans amounting to about $300m. Source: Foreign Investment Agency in Poland.

A new Marshall Plan for Eastern Europe?

Stephen Fidler on the urgency of the task facing the West

THE PARALLEL between the post-war rebuilding of Western Europe and the post-Cold War reconstruction of the economies of Eastern Europe is frequently drawn. The question which often follows is how today's Western efforts to help Eastern Europe compare with the US Marshall Plan after the Second World War.

It is difficult to judge at this early stage whether the hodgepodge of help being offered to restructuring economies deserves to be called a plan. Worries have subsided that a lack of co-ordination could dilute the value of the aid since it became clear that the European Commission would co-ordinate the activities of the 24 Western donors, but they have not disappeared.

The EC does not have the wherewithal to analyse and prescribe for economic ills, so the International Monetary Fund has had to take the leading role in assessing the countries' main problems and their need for resources.

But while the first contenders for this help – Poland and Hungary, along with Yugoslavia – are members of the Fund, the latecomers, East Germany and Czechoslovakia and their successors, are not.

Yet few Western officials are keen to see another bureaucracy established to guide the aid effort. The Organisation for Economic Co-operation and Development, set up to oversee the Marshall Plan would seem an obvious contender. But it has little recent experience to help it implement such a plan, having concentrated on research and analysis, and there is little discernible political momentum for it to take over the central role.

In one respect – the amount of aid required by the economies as a proportion of their gross domestic products – the sums of money should have an even larger impact than the Marshall Plan, which provided grant aid of about 3 per cent of GDP. The financial help being talked about for Poland, and which it seems likely to receive if it can put an IMF economic programme into place, far exceeds 3 per cent of its annual GDP of $80bn.

But in terms of opportunity cost of the aid to the donors, of which there are many compared with one, the numbers seem unlikely to match those of the Marshall Plan.

Forty years of sub-optimal investment on the economies of Eastern Europe have certainly led to problems comparable to the devastation wreaked on Western Europe by six years of war. Yet in many areas, the problems are more difficult. No country has yet attempted, let alone accomplished, the transformation of a rigid socialist system to a market-based economy.

In a parallel with demobilisation, the economies, although ostensibly close to full employment, will need to find jobs for people laid off in the inevitable, drastic restructuring of inefficient industry. Environmental damage, which would inhibit future growth, will have to be repaired.

A huge overhang of unspent local currency faces all the economies opening to the West. This risks an inflationary surge of pent-up demand for consumer goods. Indeed, the risk of hyperinflation, heightened by a budget deficit that threatens to get out of control, is the first which Poland must address.

Another significant problem is the remoteness of the market after 40 years of central control. Only the very old have experience of markets. "In Western Europe after the war, people had had experience of decisions in a market context only six years before," says one Western official. "In Poland, it's been 50 years."

Market institutions are undeveloped. The banking system has been largely a mechanism through which the state supported loss-making public enterprises. As the World Bank states of Poland: "It lacks the kind of financial intermediation system that promotes sound investment selection and financial discipline at the enterprise level."

Correcting these problems means developing banking and entrepreneurial skills taken for granted in the West.

Western officials say there will be sufficient finance to meet the requirements of the Poles and the Hungarians. Poland's request for a $1bn "stabilisation fund" of low interest loans seems likely to be met, with the US pledging $200m and Japan $150m.

Unfortunately, most of the countries already have heavy debt burdens and their ability to take on more debt obligations at market interest rates is limited. Their approach will probably differ from country to country. Hungary, Czechoslovakia and East Germany are among those with some access to commercial bank balance of payments finance. They will have to balance their wish for some amelioration of debt servicing with the likelihood that their access to new funding will dry up.

Poland is in a worse state. Its foreign debts are equivalent to half its GDP, and servicing them would swallow up 90 per cent of the hard currency it earns from trade. Poland can expect to be the first beneficiary in the Eastern bloc from the Brady Plan, which seeks to reduce its commercial bank debts. But debts to Western government creditors account for most of its foreign obligations, and they are not about to concede debt forgiveness for flat other countries will demand the same. The expectation is of an indefinite rescheduling of interest and principal payments for Poland from the Paris Club.

Central to the longer-term plan must be the encouragement of inward private sector equity investment, which will encourage necessary capital flows but can also deliver much needed skills and technology. Judicious use of debt-to-equity swaps will be able both to encourage such investment and reduce debt burdens.

The opening up of Western markets then to the Eastern bloc is a central issue.

All parties now recognise there is a need to move ahead quickly. As Mr Leszek Balcerowicz, the Polish Finance Minister, told US officials last month, the economic reforms in his country could be jeopardised without speedy action on Western aid.

Political and economic reform have been awaited by the West for 40 years. The prospect for the people of Eastern Europe is that their lot will get worse before it improves, and it will be easier for new governments to act while the euphoria remains. There is not much time.

INCREASE IN TRADE BY VOLUME
(Percentage change over same period of previous year)

From/To	Eastern exports 1985	1986	1987	1988	1989*	Eastern imports 1985	1986	1987	1988	1989*
Values (in US dollars)										
Eastern Europe & Soviet Union	-8	-1	12	5	8	2	6	4	12	10
of which										
Eastern Europe	-2	10	13	7	3	8	18	13	6	10
Soviet Union	-11	-10	10	2	13	-1	-3	-3	18	10
Volumes										
Eastern Europe & Soviet Union	-4	10	3	8	6	3	-13	-4	5	12
of which										
Eastern Europe	-1	1	-	8	4	7	-1	2	-	13
Soviet Union	-7	21	7	9	9	-	-20	-8	9	11
Prices (in US dollars)										
Eastern Europe & Soviet Union	-4	-11	7	-1	2	-1	20	9	8	-2
of which										
Eastern Europe	-2	9	13	2	-1	1	20	11	7	-2
Soviet Union	-5	-26	2	-6	4	-2	20	7	8	-1

*First and second quarters. Source: United Nations commodity trade data

FT LAW REPORTS

Arab Monetary Fund can sue for fraud

ARAB MONETARY FUND v HASHIM
Chancery Division: Mr Justice Hoffmann: November 14 1989

THE ARAB Monetary Fund has capacity to sue for fraud in the UK, not as an international entity non-existent in English law, but by virtue of its status as a legal entity created by Abu Dhabi domestic law recognised under English conflict of law rules.

Mr Justice Hoffmann so held when refusing an application by Dr Jawad Mahmoud Hashim, the First National Bank of Chicago, its three subsidiaries and other defendants, to strike out an action by the Arab Monetary Fund; and refusing the banks' application to stay the proceedings on the ground that they should be tried in Switzerland.

HIS LORDSHIP said that the Arab Monetary Fund was an international banking organisation with its headquarters in Abu Dhabi.

In the present proceedings it alleged that Dr Hashim, its former Director-General, stole about $50m of its money, and that the First National Bank of Chicago and three subsidiaries enabled him to launder a substantial part of it through numbered accounts in Geneva.

The banks and Dr Hashim moved to strike out the action on the ground that the Fund did not exist in English law and therefore could not sue.

The Fund was created by the Arab Monetary Fund Agreement concluded at Rabat on April 27 1976. The parties were 20 Arab states and the Palestine Liberation Organisation.

Article 2 of the agreement provided that the Fund was to have "independent juridical personality and . . . in particular the right to own, contract and litigate."

As between the parties, that constituted the Fund as a legal entity in international law and obliged them to accord it juridical personality in their domestic systems.

The headquarters state of Abu Dhabi complied with that obligation by Federal Decree. The effect was to give the agreement the force of law in the United Arab Emirates, and to confer on the Fund legal personality and capacity to sue and be sued in UAE law.

Mr Pollock for the Fund advanced two grounds on which the Fund's existence should be recognised. The first was that English conflict of laws rules recognised the existence of legal entities constituted under international law, just as it recognised those constituted under foreign systems of domestic law.

He now conceded that the *International Tin Council* judgments (*[1989] 3 WLR 969*) made that submission untenable.

Until the *Tin* case there was no authority for or against the submission, although it had the support of distinguished writers on international law. Extending the conflicts rule to international organisations seemed sensible and practical.

The rule, as applied to entities created by foreign domestic laws, was based on the inconvenience of having legal entities which existed in one country but not in another. International organisations set up by foreign states did exist in fairly substantial numbers, trading with the UK and banking in London. They were invariably recognised as juridical entities by the domestic systems of parties to the treaty as well as other countries.

The International Tin Council was created by a treaty to which the UK was a party, had its headquarters in London, and was accorded the legal capacities of a body corporate in English domestic laws by statutory instrument.

On the other hand, the Fund was created by treaty to which the UK was not a party, and was not the subject of statutory instrument or any other UK legislation.

The *Tin* case raised a question of construction of the statutory instrument, whereas the question in the present case was as to the scope of the Common Law conflicts rule.

Nevertheless, the House of Lords reasoning in the *Tin* case was inconsistent with Mr Pollock's first submission.

Lord Oliver said that the effect of the Order in Council was "to create the ITC (which as an international legal *persona*, had no status under the laws of the UK) a legal person in its own right," and that the international entity was not the entity which entered into the relevant contracts. "Those contracts were effected by the separate *persona ficta* which was created by the Order in Council."

Lord Oliver said: "Without the Order in Council the ITC had no existence in the law of the UK and no significance save as the name of an international body created by a treaty between sovereign states which was not justiciable by municipal courts."

Those passages destroyed the possibility of a Common Law conflicts rule under which the courts could recognise the existence of an international organisation as such.

Mr Pollock's second submission was that the Fund should be recognised as an entity constituted under Abu Dhabi domestic law.

The consequence of the *Tin* case was that the court should ignore the treaty and regard the Fund as constituted under Abu Dhabi law as a separate *persona ficta*. As such it was entitled to recognition as a domestic entity under ordinary conflicts rules.

The court could reach that conclusion because the UAE happened to have passed legislation conferring juridical personality on the Fund. It might not have been open to it if there had been no legislation.

Mr Sumption for the banks said that in the case of an international organisation, legislation conferring personality under the law of a member state should be regarded as purely territorial in scope – its purpose was solely to give effect to the treaty obligation to accord personality in its domestic law, not to create a separate entity capable of recognition abroad.

Otherwise, he said, an international organisation would fragment into at least as many separate entities as there were members.

Since the international entity had no existence, the court could not take it into account as a ground for refusing recognition to what was plainly a legal entity under the law of Abu Dhabi. It accepted that a logical consequence was the existence of other emanations of the Fund under the laws of other member states.

Accordingly, the Fund existed in English law. The motion to strike out the action was dismissed.

The banks also moved to stay the action against them, on the ground that Switzerland was clearly and distinctly a more appropriate forum than England, in which the case might be tried more suitably for the interests of all the parties and the ends of justice (see *Spiliada [1987] AC 460*).

The main thrust of the claim against First National Bank of Chicago was that the officials of its Geneva branch must have known that huge sums of money paid in to Dr and Mrs Hashim's personal accounts came from the Fund which, with other suspicious circumstances, put them on notice that the money was stolen.

First National Bank of Chicago was therefore alleged to have acted wrongfully in allowing it to be paid out on Dr Hashim's instructions.

Activities outside Geneva were subsidiary to the case against the Geneva branch. If the action were solely against the banks the court would be inclined to accept the submission that Switzerland was the more appropriate forum.

But the action was not solely against the banks. It was principally against Dr Hashim and his family who were resident in the UK, one of his former associates also resident in the UK, and various companies alleged to be their creatures.

The fraud was alleged to have been committed in Abu Dhabi, not Switzerland. The UK action was begun at the end of 1988. Dr Hashim denied having done anything wrong and the Fund would have to prove its allegations of fraud. Large quantities of documents in Arabic had been brought to London from the Fund's headquarters in Abu Dhabi and translated into English for the purposes of the action.

Substantial injustice would be caused to the Fund if it now had to commence separate proceedings against the banks in Switzerland. It would have to prove the fraud in England and as part of its case against the banks in Switzerland, with the possibility of conflicting results. It would then have to use the same mass of documents in Switzerland, translated into French.

It had not been shown that Switzerland was a more appropriate forum. The banks' motion to stay the proceedings was dismissed.

For the Fund: Gordon Pollock QC, Michael Burton QC and Charles Flint (Freshfields).
For Dr Hashim and his family: Hugo Page (Theodore Goddard).
For JOJ Anstalt, a Liechtenstein corporation: John Higham and Mark Arnold (Stephenson Harwood).
For First National Bank of Chicago and its subsidiaries: Jonathan Sumption QC and Clive Freedman (Allen & Overy).

Rachel Davies
Barrister

COMMODITIES AND AGRICULTURE

Tight supply and cold weather lift price of gas oil

By Steven Butler

GAS OIL prices yesterday took another leap with December futures on the International Petroleum Exchange in London closing $11.75 higher at $220 a tonne. These are the highest prices seen in four years.

The rise was reflected on physical spot markets where traders said there was a tightness in supplies. There was also talk of a technical squeeze as the December contract positions expire today, although traders stressed that this was underpinned by the physical market.

January gas oil prices were also strongly higher, breaking $200 a tonne for the first time this year, closing up $4.25 at $201.25.

Oil prices were lifted by the buoyant demand for refined products, with Brent crude for January delivery rising 7.5 cents to $19.25 a barrel in European trading.

The rally in prices was touched off by the onset of unexpected cold weather in northern Europe and the US.

Reuter news agency quoted the private US forecaster Accu-Weather predicting that temperatures in New York and New England would be 22 degrees Fahrenheit below normal on Friday, and that that abnormally cold weather would remain next week. Europe was expected to experience similar cold weather.

This would result in a rise in energy use for space heating requirements of 12.4 per cent.

Traders also said that low water levels on the Rhine that impeded barge traffic also contributed to tightness in the market.

A modest reported rise in US distillate, or partly refined product, stocks was also seen as a supportive factor.

The steep rise in gas oil has created a sense of disbelief among some traders, who say prices are bound to come back again.

Gas oil prices since 1985 have been affected by low underlying crude prices and excess refining capacity. Europe has also seen two exceptionally warm winters, although this year the weather appears to be normal or colder than average.

Settlement of ITC dispute in sight

By Kenneth Gooding, Mining Correspondent

THE WAY seemed clear last night for an out-of-court settlement of the long running dispute arising from the 1985 collapse of the International Tin Council's market support scheme.

Manilal Commodities, a Malaysian trader which had been reluctant to drop legal action against the ITC, was reported to be willing to accept the terms. These will will give creditors, who claim they are owned more than £500m, some 35p to 40p in the £.

Manilal's past refusal to drop its action threatened the proposed arrangements which would see £182.5m paid to creditor banks and brokers to settle debts. The settlement was conditional on all the primary creditors being party to the deal.

ITC representatives are expected to adopt the settlement scheme formally at a meeting early next week.

Full details of how the money will be raised have not been disclosed, but ITC delegates said that Japan and Britain — the two biggest contributors — have both agreed to pay more than their fair share. Analysts estimate that Japan will pay about £40m and the UK £30m. Malaysia will contribute about £33m, West Germany more than £17m and Thailand £8.3m.

Greenland may mine gold

GREENLAND may become a significant producer of gold following a find in east Greenland in 1986 by Mr Kent Brooks, a British geologist, writes Hilary Barnes from Copenhagen.

Mr Brooks said initial production could amount to 12 tonnes of gold a year, worth about Kr1.2bn (£104m), and in addition there would be an output of platinum and palladium.

The concession for exploration and development of the finds was awarded to the Canadian company Platinova in 1987. Further work on the viability of the finds is required before decisions to mine the ore are taken.

Exports of sugar may rise despite shortage

By John Barham in Sao Paulo

BRAZIL'S SUGAR exports may rise in the first months of the new year, despite a sharp drop in sugar cane output and a critical shortage of alcohol, the alternative fuel that is distilled from sugar cane.

Sugar exports for 1989 were originally forecast at 1.3m tonnes, but were subsequently reduced to 645,000 tonnes.

The Sugar and Alcohol Institute (IAA), the government agency that regulates the industry, now says that sugar exports should reach 732,000 tonnes in the year ending in March 1990.

An IAA official said: "We have authorised mills to produce, but not ship, 78,752 tonnes of export quality sugar once they have reached 35 per cent of their alcohol output targets." Furthermore, the mills may receive authorisation to produce a further 10,248 tonnes of sugar for export.

The official said the sugar can only be shipped once the mills have attained 90 per cent of their planned alcohol production, which should occur in February next year. A sugar trader said: "These figures are being made up to justify a decision that had already been taken earlier. Nothing I have seen can justify the exports at a time of grave shortage."

An official of the National Petroleum Council (CNP), which regulates the alcohol sector, said: "This is very odd. We have been asking for sugar exports to be halted since the beginning of the year to improve alcohol supplies."

Brazil's sugar and alcohol policy is in deeper disarray than usual. It faces a shortage of alcohol in 1990 of between 1.7bn and 2bn litres and is trying to tap foreign markets to plug the gap.

However, on Tuesday, a judge halted imports of methanol and last month, the IAA barely managed to scrape together 317,000 tonnes of sugar to meet export commitments to foreign trading houses.

The 87,000 tonnes of additional sugar exports would yield 61.5m litres of alcohol, equivalent to fewer than two days' supply. The IAA says it would forbid the exports as soon as it received an order from the CNP. But the council says only a ministerial order can suspend exports.

● Cuban raw sugar exports to the Soviet Union were 3,402,124 tonnes in the first nine months of 1989, 10.5 per cent above the 3,078,279 tonnes in the same period last year, according to data received by the International Sugar Organisation.

Bleak future for commodity pacts and prices

By David Blackwell

COFFEE and cocoa prices — which have this year collapsed along with their commodity agreements — are set to fall further in 1990, according to the Economist Intelligence Unit. And a big question mark remains over the possible revival of the two commodity agreements.

The rubber agreement is the only international pact still operating. But stabilising rubber prices is made easier by the presence of synthetic rubber, which gains market share if natural rubber prices move too high, according to the unit's latest report on food, feedstuffs and beverages.

The task of stabilising the price of tree crops is inherently difficult because smallholders — who dominate both the coffee and cocoa industries — are all too likely to expand production when prices are high, but much less likely to cut production when prices fall.

The UK is about to lose its status as the world's largest importer of tea to the USSR, according to the EIU. The USSR's growing demand (imports could top 200,000 tonnes for 1989) has been a big factor in the recent bull market. "The balance of supply and demand is set to remain tight in terms of overall tonnage . . . better grade teas are certain to remain in short supply, ensuring that prices remain firm at the top end." Meanwhile there are signs that the decline in UK tea drinking may have halted, although per capita consumption has fallen this year to 3.4 cups a day, against 4.5 cups in 1970.

Once the cost of establishing the crop has been borne, prices have to "fall a very long way indeed before they are lower than the opportunity cost of picking the crop with unpaid family labour."

Therefore very strong agreements are needed to keep cocoa and coffee prices in an agreed range. The EIU believes the producers' inability to agree on the distribution of export quotas is the key to the coffee agreement's problems. Brazil, the world's biggest coffee producer, was at least as much to blame for the collapse of the pact as the US, the biggest consumer, which is generally hostile to all commodity agreements.

"Unless the producers can agree not only about controls on the overall quantity of coffee reaching the market, but also on its division between grades of coffee in line with market requirements, there is no good reason why consumers should co-operate in policing what is in effect a producers' cartel," says the report.

The cocoa agreement has succumbed to a difficulty common to all cartels — the thrusting newcomer who remains outside, says the report.

Malaysia, with its low production costs and tenfold increase in output in 10 years, has led to a structural change in the market, making supplies far less vulnerable to disruption in Africa and Brazil, the two traditional growing areas.

Malaysian producers are against their country's membership of the International *Cocoa Organisation* because it could lead to restricted exports and threaten the financial viability of their expansion plans.

In the coffee market, the outlook for prices depends mainly on developments at the International Coffee Organisation. "The apparent shift in the attitude of the new US administration towards the international coffee agreement as a result of concerns over the war against drugs in Colombia and other Latin American countries cannot be underestimated," says the report.

However, the EIU would be surprised to see export quotas reintroduced before October 1 next year. It expects average coffee prices to be 85.8 cents a lb next year, against this year's 95.6 cents a lb.

Average cocoa prices are put at 52.5 cents a lb in 1990, against this year's 58.5 cents a lb. Although consumption has been growing by between 3 and 3.5 per cent a year for the past 10 years, "the weight of evidence points to world output continuing to grow more strongly than consumption well into the 1990s."

World Commodity Outlook 1990 — Food, Feedstuffs & Beverages. Economist Intelligence Unit, 40 Duke Street, London W1A 1DW. £125.

There's not an awful lot of coffee in Brazil

John Barham in Sao Paulo surveys the consequences of falling prices and a small crop

FOUR MONTHS ago, Mr Jose Agudo Morales, a leading coffee farmer, was preparing for a war he was sure of winning. "We will destroy our competitors and take over half the market," he said.

Today, Mr Morales is despondent. "Now the situation is the opposite. We expected a large harvest. We were confident. But the harvest will be small and prices are low. The situation is very difficult. I would like to appeal to the rich countries to pay a little more for their coffee."

The once cosy international coffee market has become viciously competitive. Prices have halved since July, when the International Coffee Agreement's export quota system collapsed. Producers are fighting for survival in an unfettered market glutted with coffee and suffering a long-running decline in demand.

Brazil was convinced that its significant cost advantages and its 30 per cent market share guaranteed victory. Now farmers who once opposed the quota system are beginning to clamour for a new cartel to raise and stabilise prices.

However, the murderous international market is not the Brazilians' most serious problem. The country is going through a traumatic period of accelerating inflation, economic disorganisation and chaotic government.

Brazil has not seen a good coffee harvest since 1986. It is unlikely to reap a satisfactory harvest for several years to come because the delicate bushes have suffered years of neglect. Farm co-operatives estimate that almost a billion coffee bushes have been uprooted this year, reducing the total number of bushes to between 3.6bn and 3.4bn.

That need not cause an immediate 20 per cent reduction in coffee production. Many of the plants were old and unproductive. Even so, the trend is spreading to prime coffee growing regions. In some parts of Minas Gerais, which produces 40 per cent of Brazil's coffee, farmers have uprooted about 5 per cent of their plants.

Exporters and government officials warn that these figures could be overstated. Nobody, however, doubts the farmers' hardship. In Guaxupe, in the heart of Minas Gerais coffee country, state government agronomists say it costs US$2,500 a month to farm one hectare of coffee property. Yet at present prices, farmers are losing US$60 on every 60kg bag of coffee they sell.

Mr Joaquim Andrade, an agronomist, explained that that farmers are cutting back on essential items to survive, but at the cost of locking themselves into a vicious circle of falling yields and declining incomes. "The lower prices go, the less farmers can spend on preparing for the next harvest, so production falls and incomes drop," he said.

Nearly all farmers are in debt and very many are in default. Mr Isaac Ferreira Leite, president of the local farm co-operative, said: "It's the indexation rate that's killing us." Farmers pay 1 per cent interest plus 40 per cent to adjust their debts for inflation every month. That works out at a nominal interest rate of over 1 per cent a day.

Meanwhile, coffee prices are stagnating at their lowest level in 15 years and production costs are often rising faster than the general price index.

As losses mount, even large estates in the Guaxupe region are having to scrimp on weeding, fertilisers and pesticides. As a result, the branches of apparently handsome, full, bushes are bare of coffee berries.

Not only are volumes declining, but quality is set to deteriorate. Mr Jochen Timm, a coffee exporter said: "You need very high productivity to break even at these prices. The Brazilian average is about 10 bags per 1,000 bushes, but you need to make about 30 bags per 1,000 bushes to break even. It's a losing proposition."

That is why analysts believe the upcoming harvest will yield a mere 20m bags, half earlier forecasts. More precise forecasts will be available by the end of the year. However, Escritorio Suplicy, a respected export house, has forecast the 1989-90 harvest at 21.6m bags, which could drive Brazilian stocks down to a mere 1.3m bags by June 1990.

If these forecasts are proved correct, Brazil would be unable to benefit from the resulting price rise for lack of sufficient export volumes.

However, there are grounds for optimism. Farmers believe that prices could begin climbing by the end of the year as the extent of Brazil's losses sink in. That would ease their financial difficulties slightly.

Farmers are relying less on coffee by growing other crops to diversify their risks. And since most of their problems are caused by misguided government policies, the new Government due to take over in March 1990 could significantly improve their lot by bringing down inflation and adjusting the overvalued exchange rate.

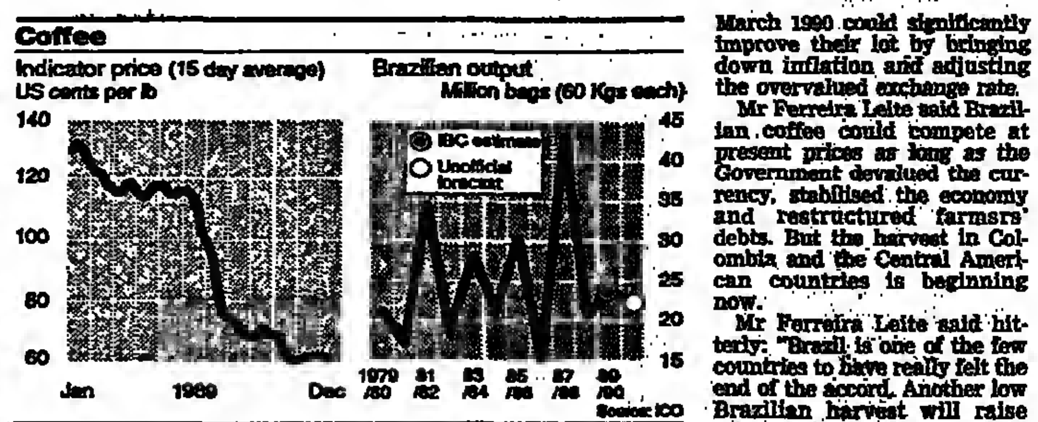
Mr Ferreira Leite said Brazilian coffee could compete at present prices as long as the Government devalued the currency, stabilised the economy and restructured farmers' debts. But the harvest in Colombia and the Central American countries is beginning now.

Mr Ferreira Leite said bitterly: "Brazil is one of the few countries to have really felt the end of the accord. Another low Brazilian harvest will raise prices and keep marginal producers in business."

The vexed question of the defunct International Coffee Agreement still overshadows the coffee trade. Mr Jorio Dauster, president of the Brazilian Coffee Institute (IBC), has repeated that Brazil will not accept a reduction in its share of the world market. The IBC cut taxes and increased shipments by 10 per cent in the July-October period to broaden Brazil's market share.

Brazilian farmers are painfully aware that their problems are unlikely to be felt directly in the rest of the country. Unlike Colombia and Central America, Brazil does not depend on coffee for the survival of its economy and political system. And while the crisis probably will not substantially loosen Brazil's domination of the world market, it has taught farmers that adjusting to free market is a lot harder than they thought.

Coffee



WORLD COMMODITIES PRICES

LONDON MARKETS

THE PREMIUM for cash zinc narrowed sharply on the LME yesterday — at the same time three-month prices broke through the $1,365 a tonne resistance level, which dealers said would be bullish. Cash metal fell $30 while three-month added $20, narrowing the premium to $112.50 from Wednesday's $162.50. Lead prices continued this week's strong performance. Dealers said European offtake had been boosted by recent very cold weather which has increased battery demand. Lead now seems to have resumed the uptrend which saw an eight-year peak of £478 a tonne set nearly two months ago, dealers said. Cocoa prices eased — spot December continued to display a small premium to March, reflecting the net uncovered position, still standing at over 4,000 lots. *But the market is taking the view that enough cocoa will be available for delivery.*

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$16.50-6.65z	+0.05
Brent Blend	$19.20-9.30z	+.075
W.T.I. (1 pm est)	$20.56-0.58z	+0.14
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$190-192	
Gas Oil	$218-220	+11½
Heavy Fuel Oil	$117-119	+3
Naphtha	$166-167	+2
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$404.25	+.25
Silver (per troy oz)♣	559c	+2
Platinum (per troy oz)	$503.40	+4.5
Palladium (per troy oz)	$140.75	+1.10
Aluminium (free market)	$1665	+10
Copper (US Producer)	110⅞-115c	-½
Lead (US Producer)	39.5c	
Nickel (free market)	400c	
Tin (Kuala Lumpur market)	17.71r	+.00
Tin (New York)	310c	+1
Zinc (US Prime Western)	75¼c	
Cattle (live weight)†	115.26p	1.47*
Sheep (dead weight)†	211.99p	+8.54*
Pigs (live weight)†	84.94p	-8.81*
London daily sugar (raw)	$337.0x	+4.4
London daily sugar (white)	$377.5x	+2.5
Tate and Lyle export price	£328.5	+3.0
Barley (English feed)	£116.0	
Maize (US No. 3 yellow)	£129	
Wheat (US Dark Northern)	£129.25	+.75
Rubber (spot)♥	55.50p	+.50
Rubber (Jan)♥	58.00p	+.75
Rubber (Feb)♥	59.00p	+.75
Rubber (KL RSS No 1 Jan)	224.5m	
Coconut oil (Philippines)§	$397.5x	-2.5
Palm Oil (Malaysian)§	$255	-5
Copra (Philippines)§	$270	
Soyabeans (US)	£171	+1
Cotton "A" index	77.70c	+.20
Wooltops (64s Super)	576p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Oct. x-Dec/Jan. t-Jan/Mar. v-Nov/Dec. w-Dec. z-Jan. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA — London FOX £/tonne

	Close	Previous	High/Low	
Dec	660	668	666	655
Mar	649	654	655	647
May	659	665	666	658
Jul	674	679	680	673
Sep	690	695	695	690
Dec	710	710	710	713
Mar	735	735	736	733

Turnover: 2761 (3693) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Dec 7 754.40 (760.59):10 day average for Dec 8 754.73 (755.76)

COFFEE — London FOX $/tonne

	Close	Previous	High/Low	
Jan	660	664	666	655
Mar	664	668	670	660
May	680	685	687	677
Jul	700	703	704	697
Sep	720	723	724	718
Nov	740	744	744	737
Jan	758	764	755	750

Turnover: 3698 (2014) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Dec 6: Comp. daily 61.15 (60.91). 15 day average 61.60 (61.76)

SUGAR — London FOX ($ per tonne)

Raw	Close	Previous	High/Low	
Mar	303.40	306.80	306.60	302.80
May	304.00	306.40	306.80	304.00
Aug	302.60	306.60	306.80	302.60
Oct	294.60	298.00	298.00	293.60
Dec	292.40	296.00	290.00	
Mar	278.80	282.80	285.00	278.60
White	**Close**	**Previous**	**High/Low**	
Mar	376.00	377.00	377.00	374.00
May	382.50	384.50	384.00	381.00
Aug	389.60	398.00	398.00	389.00
Oct	362.60	364.80	365.00	362.00
Dec	349.00	352.80	353.00	349.50
Mar	349.00	352.80	368.00	349.00

Turnover: Raw 3034 (4444) lots of 50 tonnes. White 1966 (1871)
Paris- White (FFr per tonne): Mar 2280, May 2350, Aug 2405, Oct 2230, Dec 2200, Mar 2200.

CRUDE OIL — IPE $/barrel

	Close	Previous	High/Low	
Jan	19.25	19.14	19.41	19.22
Feb	18.95	18.85	19.08	18.83
Mar	18.65	18.52	18.75	18.65
Apr	18.42	18.30	18.45	18.42
IPE Index	19.07	19.06		

Turnover: 14093 (8051)

GAS OIL — IPE $/tonne

	Close	Previous	High/Low	
Dec	220.00	208.25	222.50	211.50
Jan	201.25	197.00	205.00	199.25
Feb	191.25	187.50	194.25	190.00
Mar	180.50	177.00	183.75	179.00
Apr	171.50	168.75	175.00	171.25
May	167.00	164.00	170.50	166.00
Jun	163.50	161.50	168.00	163.00
Jul	163.50	161.00	165.00	163.50

Turnover 11226 (10573)lots of 100 tonnes

FRUIT & VEGETABLES

Fresh Ocean Spray cranberries are pick of the week at £1.20-1.30 per 12oz pack ready for the festive season, reports FFVIB. Bananas are good value at 39-59p a lb as are apples with Cox's at 30-45p (28-45p), and French Golden Delicious at 25-45p. Spanish satsumas at 40-50p (30-40p) and clementines at 45-55p (35-55p). Traditional Christmas favourites Brussels Sprouts at 25-35p are plentiful as are English, Spanish, Italian, Jersey and Dutch broccoli at 55-70p. Tasty English watercress at 30-40p a bunch and English, Irish, Italian and Spanish celery at 25-50p a head are still best salad buys.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 17,750 tonne
Cash	1668-70	1662-5	1665/1663	1665-7		
3 months	1670-2	1667-9	1672/1665	1667-8	1673-5	33,897 lots
Copper, Grade A (£ per tonne)						Ring turnover 44,725 tonne
Cash	1526-8	1525-6	1525/1524	1523.5-4.5		
3 months	1540-1	1541-2	1542/1530.5	1536-6	1539-40	75,502 lots
Lead (£ per tonne)						Ring turnover 17,200 tonne
Cash	465-6	451-3	472/465	470-1		
3 months	444-5	432-3	453/439	444-4.5	451-2	11,538 lots
Nickel ($ per tonne)						Ring turnover 1,308 tonne
Cash	8750-850	8650-750	8700/8800	8660-80		
3 months	8075-100	8000-50	8100/7900	7975-8000	8075-100	7,633 lots
Tin ($ per tonne)						Ring turnover 840 tonne
Cash	6705-10	6740-60	6720/6700	6700-10		
3 months	6805-10	6840-50	6820/6800	6790-800	6790-800	5,637 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 15,475 tonne
Cash	1490-500	1015-35	1015/1500	1515-7		
3 months	1360-5	1360-5	1400/1355	1363-5	1380-5	16,151 lots
Zinc ($ per tonne)						Ring turnover 2,850 tonne
Cash	1460-80	1505-25	1490	1490-500		
3 months	1330-60	1325-35		1345-55		1,928 lots

LME Closing £/$ rate:
SPOT: 1.5775 3 months: 1.5531 6 months: 1.5255 9 months: 1.5043

POTATOES — BFE £/tonne

	Close	Previous	High/Low	
Apr	210.2	209.3	210.5	206.7
May	235.0	234.0	234.5	233.5
Nov	113.0	110.0		

Turnover 251 (177) lots of 40 tonnes.

SOYABEAN MEAL — BFE £/tonne

	Close	Previous	High/Low
Feb	144.30	144.00	144.00
Jun	140.50	139.50	

Turnover 35 (55) lots of 20 tonnes.

FREIGHT FUTURES — BFE $10/index point

	Close	Previous	High/Low	
Dec	1598	1604	1601	1599
Jan	1636	1638	1640	1638
Apr	1649	1655	1655	1645
Jul	1360	1390	1390	
BFI	1605	1606	1605	

Turnover 146 (292)

GRAINS — BFE £/tonne

Wheat	Close	Previous	High/Low	
Jan	113.90	114.15	114.15	113.60
Mar	116.95	117.45	117.60	116.75
May	120.45	120.75	120.65	120.10
Jun	122.00	122.40	122.00	121.90
Nov	108.85	108.60	108.75	
Barley	**Close**	**Previous**	**High/Low**	
Jan	110.50	110.80	110.50	
Mar	112.70	113.35		
May	114.16	114.70	114.50	

Turnover: Wheat 282 (410), Barley 69 (36). Turnover lots of 100 tonnes.

PIGS — BFE (Cash Settlement) p/kg

	Close	Previous	High/Low
Feb	109.8	109.8	
Apr	110.0	110.5	109.5
Jun	111.0	111.0	110.0
Aug	110.5	110.5	

Turnover 5 (10) lots of 3,250 kg

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	404-404½	256-256½
Opening	405½-406	257½-258
Morning fix	405.75	257.325
Afternoon fix	406.00	257.402
Day's high	406½-407	
Day's low	403½-404	
Coins	**$ price**	**£ equivalent**
Mapleleaf	413-416	262-265
Britannia	413-415	262-265
US Eagle	413-416	262-265
Angel	416-421	264-267
Krugerrand	403-406	255½-257½
New Sov.	95-97	60-61
Old Sov.	95-97	60-61
Noble Plat	508.45-517.50	322.75-327.65
Silver fix	**p/fine oz**	**US cts equiv**
Spot	354.25	558.60
3 months	357.50	570.25
6 months	360.40	581.20
12 months	405.90	608.90

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Jan	Mar	Jan	Mar
1600	88	102	11	38
1700	26	50	50	79
1800	5	21	126	147
Copper (Grade A)	**Calls**		**Puts**	
2300	137	148	22	64
2400	73	95	57	109
2500	33	57	116	169
Coffee	**Jan**	**Mar**	**Jan**	**Mar**
600	59	73		16
650	15	40	0	27
700	2	21	43	58
Cocoa	**Mar**	**May**	**Mar**	**May**
600	63	78	15	20
650	34	48	37	41
700	16	28	68	70
Brent Crude	**Feb**	**Mar**	**Feb**	**Mar**
1800	103	93	7	27
1850	65	64	20	49
1900	36	41	38	79

US MARKETS

IN THE METALS, carryover buying from Wednesday kept prices higher in gold, silver and platinum, reports Drexel Burnham Lambert. December gold gained 5.10 as the day's most active market. Copper trading was uneventful. In the softs, profit taking pared sugar's recent gains. March sugar lost 14c closing at 1374. Coffee and cocoa were again both quiet. The livestocks featured a limit down move in the pork bellies. Heavy fund liquidation was noted. Live hogs fell due to spillover selling from the bellies. Cattle futures continued to have sideways activity. The grains were lower from some scattered profit-taking. Lack of fresh tender news prevented further advances. Strong commission house selling kept cotton in its bearish trend. The energy complex was slow with small ranges seen in most markets.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Dec	410.0	404.9	410.5	403.0
Jan	412.6	407.8	0	0
Feb	415.0	410.1	416.0	407.5
Apr	420.0	415.0	421.0	412.4
Jun	424.8	419.8	425.0	417.8
Aug	429.2	424.2	425.0	423.8
Oct	434.0	429.0	0	0
Dec	439.0	434.0	439.5	431.0
Feb	444.3	439.3	440.4	436.5

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jan	510.6	506.4	511.3	503.0
Apr	515.3	511.2	516.5	508.0
Jul	520.3	516.7	0	0
Oct	526.8	523.2	526.0	523.0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Dec	562.3	555.5	564.0	555.5
Jan	565.8	559.3	0	0
Feb	569.5	563.0	0	0
Mar	574.0	567.5	574.5	566.5
May	582.1	575.5	582.0	575.0
Jul	590.2	583.5	588.0	583.0
Sep	598.5	591.6	593.0	593.0
Dec	610.5	603.6	610.0	604.0
Jan	614.4	607.2	0	0
Mar	622.8	615.5	610.0	617.5

INDICES

REUTERS (Base: September 18 1931 = 100)

Dec 7	Dec 6	mnth ago	yr ago
1814.1	1809.7	1867.2	1878.7

DOW JONES (Base: Dec. 31 1974 = 100)

	Dec 6	Dec 6	mnth ago	yr ago
Spot	127.61	127.10	130.52	136.13
Futures	129.79	129.15	131.35	140.74

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Dec	106.90	106.75	106.90	106.75
Jan	105.40	105.00	105.80	104.30
Feb	104.75	104.45	0	0
Mar	104.10	103.85	104.90	103.00
Apr	103.55	103.35	0	0
May	103.00	102.86	103.50	102.20
Jun	102.50	102.35	0	0
Jul	102.00	101.85	101.70	101.40
Aug	101.65	101.35	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Jan	20.64	20.47	20.65	20.46
Feb	20.43	20.28	20.46	20.31
Mar	20.26	20.11	20.26	20.13
Apr	20.06	19.94	20.06	19.95
May	19.89	19.79	19.90	19.80
Jun	19.73	19.63	19.74	19.69
Jul	19.57	19.47	19.54	19.47
Sep	19.23	19.18	19.24	19.20
Oct	19.12	19.07	19.15	19.12

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Jan	6570	6446	6580	6500
Feb	6375	6273	6390	6325
May	5390	5365	5405	5370
Jun	5285	5250	5320	5260
Jul	5229	0195	5280	5210
Aug	5270	5235	5300	5260
Sep	5345	5310	5365	5345

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Dec	965	953	966	958
Mar	925	928	935	921
May	933	937	942	929
Jul	948	950	955	945
Sep	961	966	972	961
Dec	987	988	994	985
Mar	1007	1008	1011	1005
May	1022	1023	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Dec	73.00	73.20	73.35	72.50
Mar	76.75	76.91	77.30	76.10
May	79.25	76.98	79.25	78.30
Jul	81.50	81.04	81.80	80.51
Sep	83.38	83.35	83.40	82.60
Dec	86.25	86.33	86.25	85.95
Mar	88.13	88.05	89.00	89.00

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	13.65	14.00	13.10	13.00
Mar	13.74	13.92	13.87	13.70
May	13.73	13.97	13.90	13.70
Jul	13.60	13.83	13.80	13.50
Oct	13.18	13.37	13.35	13.15
Mar	12.64	12.89	12.89	12.63

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Mar	67.81	69.16	69.30	67.15
May	68.75	70.80	70.45	68.30
Jul	68.57	70.35	70.50	68.35
Oct	66.15	66.68	66.75	65.00
Dec	63.97	65.75	64.40	62.70
Mar	64.60	64.75	0	0
May	64.80	65.45	64.80	64.80

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	126.70	126.10	127.75	125.30
Mar	127.15	125.80	127.75	125.30
May	127.00	125.80	127.00	125.50
Jul	126.90	125.00	126.00	126.00
Sep	125.90	123.10	120.00	126.00
Nov	125.80	124.90	0	0
Jan	125.00	0	0	0

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jan	576/4	579/2	580/4	575/0
Mar	588/4	592/2	593/4	588/2
May	599/6	603/4	605/0	599/4
Jul	609/0	613/0	614/4	609/4
Aug	611/0	614/4	614/0	011/0
Sep	606/0	609/4	611/4	606/0
Nov	608/6	615/0	615/0	608/0
Jan	618/4	625/6	624/0	618/4

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Dec	18.87	18.84	19.08	18.85
Jan	19.04	19.06	19.25	19.01
Mar	19.48	19.50	19.68	19.43
May	19.86	19.87	20.04	19.82
Jul	20.06	20.10	20.27	20.04
Aug	20.08	20.10	20.20	20.06
Sep	20.08	20.05	20.25	20.06
Oct	20.17	20.07	20.35	20.17

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Dec	180.1	180.4	181.1	179.8
Jan	180.2	181.2	181.0	180.1
Mar	181.3	182.4	182.5	181.3
May	181.9	182.8	182.8	181.7
Jul	182.8	184.0	184.0	182.8
Aug	183.3	184.5	184.7	183.3
Sep	184.4	183.7	186.0	184.4
Oct	183.5	185.0	186.0	183.5

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	236/2	236/0	236/4	235/0
Mar	241/0	241/0	241/4	238/6
May	245/2	245/4	245/4	244/0
Jul	248/2	248/4	248/2	247/0
Sep	242/4	245/0	244/0	242/0
Dec	241/4	243/6	243/2	240/0
Mar	248/6	250/6	249/6	247/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Dec	408/0	408/4	409/0	406/6
Mar	407/6	409/2	409/4	407/0
May	365/6	367/0	366/4	364/0
Jul	355/2	357/2	357/0	354/2
Sep	360/0	361/6	361/2	359/2
Dec	370/6	373/4	371/4	370/4

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Dec	75.62	75.42	75.65	75.35
Feb	74.67	74.52	74.70	74.35
Apr	74.20	74.37	74.45	74.07
Jun	71.62	71.92	71.90	71.55
Aug	70.12	70.22	70.40	70.05
Oct	70.05	70.27	75.27	70.05

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Dec	01.22	01.32	01.86	50.95
Feb	49.30	49.95	50.20	49.06
Apr	45.25	46.70	46.05	46.07
Jun	48.75	49.47	49.65	48.65
Jul	49.10	49.70	49.90	49.05
Aug	48.17	48.62	48.75	48.00
Oct	44.10	44.35	44.60	44.10
Dec	45.80	45.85	46.10	45.75

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	54.45	56.45	56.60	54.45
Mar	53.90	55.90	56.00	53.90
May	53.90	55.90	56.15	53.90
Jul	53.12	55.12	55.50	53.12
Aug	51.16	53.10	53.27	51.10
Feb	59.97	01.97	e	59.97
Mar	60.00	62.00	e	60.00

LONDON STOCK EXCHANGE

Profit-takers bring modest setback

AN ACTIVE if somewhat switchback performance by the UK equity market left share prices with only modest falls yesterday as profit-takers were matched by investors buying stock ahead of the new equity trading account which opens this afternoon.

The two week account which ends today has brought a gain of around 5 per cent across the range of leading equities, and substantially more in selected sectors such as financial and property shares.

Share prices gained ground again at first as the investment mood continued to respond to the evident success of the £5.24bn flotation of Britain's water companies. The Footsie Index rose by 12 points within its first hour of calculation, but then ran into the profit-takers who quickly reversed the trend to bring a net fall of similar proportions.

The appearance of some "new time buyers", willing to pay a premium for stock for which they will not have to settle until the end of the next trading account, inspired a rally and equities closed steadily despite a discouraging Confederation of British Industry/Financial Times report on the UK distributive trade.

The FT-SE Index closed 7 points down at 2,346.7 with the international blue chips mostly a shade easier. Some traders expressed caution ahead of the announcement today of the latest employment data from across the Atlantic. This could have a bearing on the credit policies of the US Federal Reserve.

Seaq volume of 492.6m shares yesterday compared with 480.6m in the previous session. The irregular pattern traced by market indices implied substantial activity by both buyers and sellers.

The recent somewhat speculative rises among UK insurance issues inevitably attracted profit-takers, and there was some selected selling in the property sector which the two previous sessions, in the wake of the proposals for a substantial restructuring at British Land, fifth largest company in the UK property sector.

While the UK equity market performed well yesterday, there were a few words of caution from leading securities houses. The strategy team at Kleinwort Benson maintained a defensive stance, warning of "our fear that the market could see a setback".

The market faces a relatively heavy corporate reporting list before the Christmas holiday – a good start was made yesterday with the trading statement from Grand Metropolitan. But there is concern that the retail sector could bring some unpleasant surprises; yesterday's CBI/FT distributive retail trades survey for November confirmed the effects on overall consumer demand wrought by high interest rates in the UK.

Account Dealing Dates

*First Dealings:	Nov 27	Dec 11	Dec 27
Option Declarations:	Dec 7	Dec 27	Jan 11
Last Dealings:	Dec 8	Dec 28	Jan 12
Account Day:	Dec 18	Jan 8	Jan 22

*New time dealings may take place from 9.00 am two business days earlier.

FINANCIAL TIMES STOCK INDICES

	Dec 7	Dec 6	Dec 5	Dec 4	Dec 1	Year Ago	1989 High	1989 Low	Since Compilation High	Since Compilation Low
Government Secs	83.02	82.98	83.02	82.93	82.96	86.97	89.29 (8/2)	82.93 (4/12)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	92.27	92.17	92.40	92.40	92.33	96.80	93.50 (15/3)	92.17 (6/12)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1850.9	1859.9	1836.8	1823.0	1833.6	1437.1	2008.6 (5/9)	1447.8 (3/1)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	297.3	286.7	286.7	294.3	293.2	176.7	300.0 (27/11)	154.7 (17/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2346.7	2353.7	2327.5	2303.4	2311.1	1757.9	2426.0 (5/9)	1782.6 (3/1)	2443.4 (16/7/87)	986.9 (23/7/84)
Ord. Div. Yield	4.61	4.55◆	4.63	4.66	4.65	5.09				
Earning Yld %(full)	11.23	11.12◆	11.24	11.28	11.26	12.88				
P/E Ratio(Net)(t)	10.76	10.89	10.77	10.71	10.72	9.38				
SEAQ Bargains(5pm)	28,622	27,694	27,026	29,396	31,424	22,759				
Equity Turnover(£m)†	-	947.22	894.35	789.74	1011.72	1007.63				
Equity Bargains†	-	27,924	28,019	29,620	35,858	1108.75				
Shares Traded (ml)†	-	395.7	390.0	369.2	448.0	472.1				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83. ● Nil 10.71

Ordinary Share Index, Hourly changes — Day's High 1866.2 — Day's Low 1847.3

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1859.0	1864.3	1857.5	1852.2	1853.1	1850.3	1849.1	1850.8

FT-SE, Hourly changes — Day's High 2368.1 — Day's Low 2341.1

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
2354.1	2362.1	2366.7	2346.8	2348.7	2343.1	2342.9	2346.0

GILT EDGED ACTIVITY

Indices*	Dec 6	Dec 5
Gilt Edged Bargains	90.6	85.7
5-Day average	88.2	86.3

*SE Activity 1974. †Excluding intra-market business & Overseas turnover. Calculation of the FT Indices of daily Equity Bargains and Equity Value and of the five-day averages of Equity Bargains and Equity Value, was discontinued on July 31. Closing values for July 28 available on request. ◆Corrected figure. London report and latest Share Index. Tel. 0898 123001.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
ADT	3,500	286	+2
ASDA Group	7,100	113	-5
Abbey National	5,700	163	+2
Allied-Lyons	754	481	-4
Amstrad	7,840	40	+½
Argyll Group	5,100	224	+2½
Ass. Brit. Foods	1,300	426	+5
BAA	1,400	381	-2
BAT Inds.	2,700	832	+1
BET	626	278	-1
BICC	279	473	-6
BOC	1,600	537	+1
BPB Inds.	458	329	-6
BTR	1,900	488	-4
Barclays	2,100	546	-2
Bass	807	1049	+4
Beazer	644	166	-2
Beresford Int.	408	149	
Blue Arrow	24	95	-1
Blue Circle	765	237	-1
Boots	1,900	277	-7
Brit. & Comm.	1,500	94½	-½
Brit. Aerospace	521	628	+3
British Airways	622	208	-4
British Gas	11,000	223	-2
British Land	2,000	401	-2
BP	12,000	323	+4½
British Steel	4,500	126	-½
British Telecom	6,000	282½	+4
Bunzl	2,800	105	+1
Burmah Oil	306	683	-6
Burton	1,900	202	-2
Cable & Wire.	4,400	512	-14
Cadbury	861	349	-2
Calor Group	346	453	-3
Carlton Comm.	840	876	+6
Coats Viyella	2,000	142	-1

	Volume 000's	Closing Price	Day's change
Comm. Union	1,200	479	-5
Cookson	1,300	278	+3
Courtaulds	1,500	[illegible]	+4
Dalgety	2,200	386	+1
Dixons	5,300	139	-2
Eng. China Clays	338	422	-4
Enterprise Oil	1,300	658	+7
FKI	2,800	84	+1
Ferranti	1,200	41½	-½
Fisons	1,900	388	-12
Gen. Accident	572	1196	-16
General Elect.	4,800	218½	
Glaxo	1,100	780	-9
Globe Inv.	185	186	-1
Glynwed Int.	1,400	341	-1
Granada	1,100	315	+2
Grand Met.	3,600	580	+15
GUS A	375	1108	-10
GRE	2,600	245	-8
GKN	1,500	415	
Guinness	955	646	+1
Hammerson "A"	248	837	-13
Hanson	4,700	230½	-2½
Do. Warrants	1,800	55	
Harrisons Cros.	783	851	+2
Hawker Sidd.	220	662	-3
Hillsdown	880	272	-4
ICI	1,200	1131	-9
Inchcape	368	282	+2
Jaguar	112	839	+1
Kingfisher	1,500	287	-3
Ladbroke	1,300	319	-2
Land Securities	1,100	431	-11
Laporte	713	473	-1
Legal & General	801	411	-8
Lloyds Abbey	[illegible]	298	-1

	Volume 000's	Closing Price	Day's change
Lloyds Bank	2,200	432	-1
LASMO	1,000	574	+1½
Lonrho	2,300	331	-3
Lucas	574	628	+8
MB Group	379	158	-2
MEPC	738	538	-7
Marks & Spencer	2,800	203	-1
Maxwell Comm.	873	238	-2
Mecca Leisure	841	162	
Midland Bank	1,300	363	-2
NatWest Bank	1,000	341	-8
Next	1,300	82	-3
Northern Foods	456	312	+2
Pearl	22	887	
Pearson	828	770	+1
P & O	866	602	-3
Pilkington	5,400	236	-5
Polly Peck Intl.	1,700	408	+1
Prudential	1,600	219	-4½
[illegible]	1,300	416	-1
RMC	868	879	-2
RTZ	2,900	365	+4
Racal	1,500	240	-4
Racal Telecom	1,051	384	-3
Rank Org.	423	[illegible]	+10
Reckitt & Colman	315	1268	-5
Redland	467	[illegible]	-8
Reed Intl.	1,200	429	-1
Reuters	1,700	1037	+19
Rolls Royce	3,300	186	-2
Rothmans	379	[illegible]	-3
Ryl Bk Scotland	5,400	205	+7
Royal Insurance	3,100	404	-2
STC	2,300	261	-1
Saatchi	1,900	265	-18
Sainsbury	1,400	272	-2
Scottish & New	328	382	-4

	Volume 000's	Closing Price	Day's change
Sears	2,800	107	+1
Sedgwick	738	300	-3
Shell Transport	8,100	471	-1½
Siebe	684	483	-8
Slough Ests.	138	377	-8
Smith (W.H.) A	189	328	-4
Smith & Nephew	4,400	139	-3½
SmKI Beecham	1,000	681	-6
Do. Equity Units	56	[illegible]	-18
Smiths Inds.	206	277	+2
Standard Chart.	1,700	640	-1
Storehouse	867	114	-½
Sun Alliance	1,000	322	-½
Sun Life	163	1238	-2
T&N	333	181	
TI Group	278	427	-4
TSB	4,400	136	-3½
Tarmac	1,300	276	-7
Tate & Lyle	1,700	274	-1
Taylor Woodrow	679	365	
Tesco	1,100	187	+1
THORN EMI	396	778	
Trafalgar House	2,100	388	+8
Trusthouse Forte	1,000	287	-3
Ultramar	2,500	353	+4
Unigate	264	384	+2
Unilever	1,800	[illegible]	-18
United Biscuits	674	382	-2
Utd. Newspapers	888	474	-2
Wellcome	902	754	+14
Whitbread "A"	1,500	[illegible]	+2
Williams Hldgs.	251	238	-1
Willis Faber	1,300	271	-8
Wimpey	479	342½	+½

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 6 pm.

Welcome for GMet results

A 27 per cent improvement in full-year profits from Grand Metropolitan provided the market with the reassurance it sought and helped the shares put in the best performance of the day among FT-SE stocks. There had been some uncertainty ahead of the figures over the net effect of a busy corporate period – the company sold Intercontinental Hotels, bought Pillsbury (for £3.1bn) and William Hill. It sold the last named in the current year.

Analysts said the figures were good and the chairman's statement positive. They singled out the company's rapidly falling gearing as a plus point: once the sale of William Hill is completed, gearing will be less than 100 per cent compared with 198 per cent at the interim stage, according to Mr John Dunsmore at County NatWest WoodMac. Organic growth was particularly good too, he said, with the wines and spirits side scoring a trading profits growth of 18 per cent – "not bad for a supposedly ex-growth market."

County stayed with its profits forecast for the current year of £895m, edged its share earnings estimate up slightly and stuck by its buy recommendation. Mr Jonathan Goble of BZW changed his recommendation from hold to a buy in the wake of the figures. He also increased his forecast for the current year from £889m to £900m – saying that the big property element in the figures, suggestions of which had hurt the shares earlier in the week, was offset by exceptionals. Grand Met climbed 15 to 580p on good turnover of 3.6m shares.

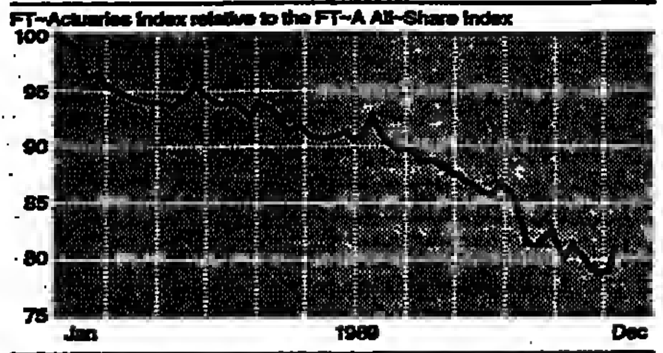
Oil stocks busy

There was a fresh burst of activity among leading oil stocks as international funds reassessed the relative outlook for BP and Shell, which are prominent in most institutional portfolios. The early part of the session saw significant switching out of BP and into Shell as Kleinwort Benson pointed to the one point yield differential in BP's favour against Shell. Kleinwort raised its dividend forecast for BP, predicting that the fourth quarter payout will be increased to a total of 14.85p for the year.

County NatWest WoodMac was also cautious over the outlook for Shell, chiefly on grounds of currency uncertainty which could affect the price ratio between Shell and Royal Dutch.

Property

FT-Actuaries index relative to the FT-A All-Share index



The rise following this week's British Land restructuring was one of the few bright spots for the sector in 1989.

BP shares closed 4 higher at 323p, with Shell finally down 2 at 471p. The BP share price has been lagging Shell in recent weeks but sector analysts believe that it will outperform now that oil prices have begun to improve.

Insurances ran into profit taking after several days of rising on a tide of bid speculation. Guardian Royal Exchange, led the sector lower, dropping 9 to 249p.

Royal Bank of Scotland ran up briefly on talk that Banque Paribas or Banque National de Paris might be about to bid. Dealers were sceptical but one thought an equity swap a more likely possibility. Royal Bank peaked at 212p before closing a net 7 better at 205p.

The formal offer for Morgan Grenfell by Deutsche Bank was posted, turning dealers thoughts to what Morgan shareholders might do with their cash. They settled on Hambros, the only feature among merchant banks, which rose 9 to 275p.

Among otherwise quiet insurance brokers, Willis Faber fell 8 to 271p as an early sell order left the market flush with stock.

Wellcome had a good run late in the day on news that the US Food and Drug Administration had set aside two days at the end of January to consider whether the company's Aids drug Retrovir should be approved for use by carriers of the Aids virus who do not exhibit symptoms. Mr Ian Moore at UBS Phillips & Drew said that if the FDA gave the go-ahead, approval could come within weeks. Wellcome recovered from an early low of 731p to end 14 up on the day at 754p.

The property sector caught its breath after two days of frantic activity prompted by the proposed reorganisation of British Land. There was profit-taking by investors, who have seen their property shares rise strongly since the middle of the week.

Since last December, when Rodamco launched its assault on Hammerson, the sector has fallen 20 per cent against the FT-A All-Share Index. Interest rates are depressing demand and observers are also worried that there is going to be a property glut. However, not even the most bearish believe that the financial crisis of 1973 is about to be repeated. "There are structural problems rather than a financial crisis," said one self-proclaimed bear. He predicted that entrepreneurial managers would still find ways to thrive, as Mr John Ritblatt of British Land had demonstrated on Wednesday.

The market's pause yesterday gave it a chance to digest the implications of Mr Ritblat's plan for British Land. MEPC, fell 7 to 538p and Land Securities 11 to 431p. British Land closed 2 down at 401p.

Hammerson 'A' slipped 13 to 837p, partly on profit taking and partly on disappointment that Rodamco, of Holland, had not commemorate the anniversary of its initial bid by launching another attack.

Uncertainty about the future management of Johnson Matthey, the precious metals company, in the wake of the resignation of the chief executive on Wednesday evening, left the stock lower, as the company reported interim profits in line with market expectations. Profits rose by 6.3 per cent to £33.5m.

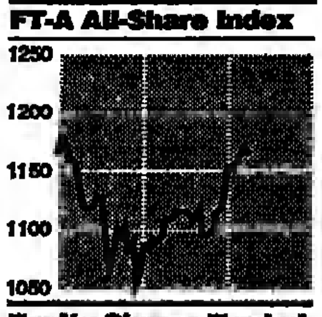
The shares retreated from a high of 389p. Mr Mike Tampin at Hoare Govett who is forecasting full year profits of £67m said, "On fundamentals the share price is still too high as there has been a certain amount of bid speculation in the last few months." The shares closed 12 lower at 369p.

Trafalgar House continued to benefit from talk of a possible bid from Bouygues, the French construction group, and from buying ahead of the shares going xd on Monday. The shares added 5 to 368p on steady turnover of 2.1m.

Profit taking after a good run in the wake of the company confirming it planned to float its US subsidiary caused BTR to ease. The shares gave up 4 to close at 460p, on turnover of 1.9m.

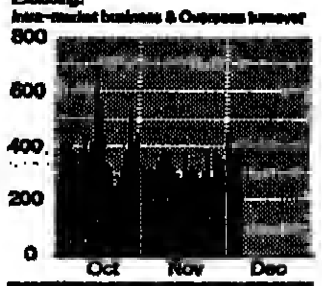
A 6 per cent increase to £147m in interim profits from Pilkington failed to impress the market. BZW scaled back full year expectations for the year to March 1990 from £355m to £340m. Mr Mark Stockdale at BZW said "A lot of the growth coming from interest rate reductions."

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million) Excluding: Intra-market business & Overseas turnover



The building sector was generally slow. Phoenix Timber slipped 6 to 194p following the announcement of reduced profits. Mowlem rose 6 to 337p ahead of the announcement of a £10.8m US disposal.

The ending of Stanley Leisure's negotiationsfor the possible acquisition of Aspinall's Casino in London, pushed the shares 9 better to 210p.

Carlton Communications climbed 6 to 876p ahead of final figures on December 11 while Granada firmed 2 to 315p with finals due the following day. The latter also reshuffled its top management, including naming a a new chief executive to take over from March 1990.

A line of shares TV equipment supplier Avesco was offered, the day after the company's interim results, and uncovered wall-to-wall bull positions. The price fell 11 to 101p as buyers failed to appear.

A 29 per cent profit setback, to £16.5m, at De La Rue took the floor from beneath the shares. They bottomed at 310p before finishing the day at 315, a net fall of 22. Analysts cut their forecasts across the board – Mr John Kenny at BZW, for example, reduced his forecast for the current year from £52m to £35m. He said that the shares were still trading with a 25 per cent bid premium. "Even if there were a bid, we would be surprised if it came much above the current price," said Mr Kenny.

There was no stopping Reuters which climbed to the third all-time closing high (1037p, up 19) in successive days. Once again US buying, stimulated by investor presentations early in the week, was blamed.

Negative press comment on Wednesday's full-year figures from Saatchi & Saatchi undermined the shares which fell 18 to 265p. Wednesday's sceptically received bid talk also evaporated.

Periodical publisher Builder continued to advance on the back of Wednesday's revelation that it was in talks that might lead to an offer for the company. The shares closed 20 higher at 322p. EMAP, tipped by many as a possible suitor, on the basis of its 11 per cent stake, closed unchanged at 227p.

News that an institution had taken a 5.5 per cent stake in packaging group Bunzl, and of an $88m (£56m) disposal in the US, steadied the shares after several weeks of nervous trading. Bunzl closed a penny better at 105p.

Macarthy, the pharmaceutical group, continued its strong advance which began the previous day on talk of a bid from a West German company. The shares were also helped by a settlement with Unichem, with whom the company has been in dispute.

Mr James Dodwell at BZW said: "Bid speculation will remain in the stock as the wholesale side of the business looks attractive as we approach 1992. The retail side, its pharmacy chain, is fairly attractive as well, particularly with UK restrictions on opening new pharmacies, plus the fact that the company has one of the highest yields in the sector." The shares gained 22 to close at 261p.

Trades of 1.1m Tesco and 750,000 Argyll overnight, said to be part of a programme trade, left the market short all day. The shares bucked the market trend, rising a penny to 197p and 2¼ to 224p respectively.

Interim profits, up less than 5 per cent, from Great Universal Stores were in line with forecasts and GUS "A" shares slipped 10 with the market to 1108p. Gussies is a tightly held stock at the best of times, exaggerating price movements. Dealers said that the shares had risen more than 20 in volume of only a few thousand shares before the market opened officially. Volume by the close, of 410,000 was described by marketmakers, and well above average.

Volume, at 5.2m, was still good in Dixons in the wake of Wednesday's bid for the company from Kingfisher. But profit-takers outnumbered arbitrageurs and Dixons slipped 2 to 139p. Kingfisher eased 3 to 287p.

Among food manufacturers, Christian Salvesen continued to benefit from Wednesday's figures, rising 3 to 173p. Hazlewood Foods was in good form for similar reasons and added 2 at 237p. A persistent buyer of Booker on the inter-dealer broker screens pushed the shares 5 better to 415p. Talk of a brokers' downgradings for Geest left the share 3 down at 262p.

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 28

NEW HIGHS AND LOWS FOR 1989

NEW HIGHS (78).
BRITISH FUNDS (3) BANKS (6) ELECTRICALS (1) ENGINEERING (1) FOODS (2) INDUSTRIALS (8) Amer Grp., BOC, Crean (J.), Novo Inds. 'B', Reuters, INSURANCE (7) MOTORS (1) NEWSPAPERS (2) PAPERS (1) SOUTH AFRICANS (1) TRANSPORT (1) TRUSTS (18) OILS (11) OVERSEAS TRADERS (2) MINES (13).
NEW LOWS (66).
BRITISH FUNDS (20) AMERICANS (1) CANADIANS (2) BREWERS (1) BUILDINGS (3) STORES (2) ELECTRICALS (4) ENGINEERING (3) FOODS (1) INDUSTRIALS (13) ASD, Do. 8p Cv. Pf., Brammer, Brompton, Co. Of Designers, Courtney Pope, Delaney, Eleco, Grampian, Monks & Crane, Norton, Scot. Heritable, Young (H.), LEISURE (1) MOTORS (2) PAPERS (3) TEXTILES (6) TRUSTS (2) MINES (1) THIRD MARKET (2).

APPOINTMENTS

Changes at Granada

GRANADA GROUP has appointed Mr Derek Lewis as chief executive from the annual meeting on March 5 next year. He has been group managing director since 1987. At the same time Sir Denis Forman is to retire as deputy chairman, and from the group board. He will continue to advise on a part-time basis. Sir Denis, who played a leading role in the development of British television, has been with Granada for 35 years.

Mr Desmond James, group board member, retires; and Mr David Quayle, leisure division chairman, leaves the board on December 31.

Mr Bill Andrewes, rental and retail division chairman, takes over the leisure division.

TV rental is being separated into UK rental (headed by Mr Tom Cole), and commercial and overseas rental (headed by Mr John O'Brien).

Professor John Ashworth, vice-chancellor of Salford University, non-executive chairman of the National Computing Centre, and director-designate of the London School of Economics, becomes a non-executive director of Granada Group in January. He will resign from the board of Granada Television of which he has been a member since 1987.

■ Mr Peter Carr has become chairman of the JOHN CARR GROUP, succeeding his father, Mr John Carr, the founder, who has retired. The company is part of The Rugby Group.

■ Mr Allan Haigh has been appointed London regional director of WIMPEY CONSTRUCTION UK. He was eastern regional director.

■ Mr Steve Wiltshire has been appointed corporate finance manager, THE MELVILLE GROUP, a new post. He was with Barclays Bank.

BANK OF SCOTLAND has promoted Mr Iain W. St C. Scott *(above)*, from divisional general manager, accounting and finance, to general manager. His responsibilities will include accounting and finance, marketing and public affairs, property, and the Visa Centre.

Cobbold joins Gaiacorp UK

■ Lord Cobbold has been appointed an executive director of GAIACORP UK where he will be responsible for developing its international currency exposure management service. He was a director of Hill Samuel Bank, part of TSB.

■ Mr R.W. Turner has been appointed managing director of D.S. TURNER & CO, Wednesbury. Mr G.L. Turner has resigned as chief executive, but remains chairman.

■ Mr Bryan Gregory has been appointed a main board director of JOHN LAING. He is chairman of the building division and joint managing director of John Laing Construction. Non-executive group directors Mr Scott Durward and Mr Keith Oates, have resigned.

■ Mr Martin Burton has been appointed construction director of EDWARD WOOD & SONS.

■ Mr Richard Paisley, Mr Guy Palmer, and Mr Jan Stuffers have been promoted to the board of ESA (MARKET RESEARCH).

■ Ms Chantal Szymanska has been appointed financial controller of ROADCHEF, Gloucester.

Ms Lindsay Nuttall *(above)* has been appointed managing director of WALDRON, ALLEN, HENRY & THOMPSON DIRECT, part of the BDDP Group. She joins from Saatchi & Saatchi Direct, where she was new business director.

■ Mr Clive Weston has been appointed a director of CHARLTON SEAL SCHAVERIEN, stockbrokers, part of the Benchmark Group.

■ Mr Christopher Nash has been appointed operations director, and Mr Neil Jenkinson as sales and marketing director at LOVELLS CONFECTIONERY, part of G.F. Lovell.

■ Sir John Treacher has been appointed a non-executive director of MEGGITT. He was commander-in-chief of the fleet, and was executive deputy chairman of Westland.

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AUTHORISED UNIT TRUSTS

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Abbey Unit Tst Mngrs (1000)H						
80 Holdenhurst Rd, Bournemouth 0345 717373						
High Income						
American Income	6	56.12	56.60	60.22	-0.19	4.55
Gilts & Fixed Int	6	105.80	105.80xd	112.20	-0.50	8.91
High Inc Equity	6	135.40	135.40	144.90	+2.00	4.38
Worldwide Bond	6	208.50	208.50xd	220.90	+0.20	4.80
Capital Growth						
American Growth	6	207.40	209.30	222.70	[illegible]	[illegible]
Asian Pacific	6	120.70	123.10xd	131.00	[illegible]	[illegible]
Assets & Earnings	6	157.00	157.00xd	168.00	[illegible]	[illegible]
Capital Reserve Acc	0	87.98	87.98	88.07	[illegible]	[illegible]
Capital Reserve Inc	0	78.08	78.08	78.16	[illegible]	[illegible]
Comdty & Energy	6	118.00	120.60	128.30	[illegible]	[illegible]
Dividend & Growth	6	47.00	47.00	50.00	[illegible]	[illegible]
1992 Enterprise	6	62.41	63.70	67.77	[illegible]	[illegible]
Euro Capital Acc	6	101.80	102.50	109.10	[illegible]	[illegible]
Euro Capital Inc	6	98.14	98.88	105.20	[illegible]	[illegible]
General	6	179.70	179.70	192.20	[illegible]	[illegible]
International	6	61.18	62.01	66.97	[illegible]	[illegible]
Japan	6	130.30	132.70	141.20	[illegible]	[illegible]
Mastertrust	6	94.80	94.80	101.40	[illegible]	[illegible]
UK Growth Acc	6	177.80	177.80	190.20	[illegible]	[illegible]
UK Growth Dist	6	117.40	117.40	125.60	[illegible]	[illegible]
US Emerging Cos	6	55.85	57.36	61.03	-0.10	[illegible]
Income & Growth	6	306.60	306.60xd	328.00	[illegible]	[illegible]
Ethical	6	47.14	47.34	[illegible]	[illegible]	[illegible]
Abtrust Management Ltd (1000)H						
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580						
Amer Inc & Growth	5¼	34.28	34.28	36.60	----	2.90
European	5¼	77.54	77.88	82.92	----	0.90
European Income	5¼	74.99	74.94xd	79.99	----	2.16
Exempt	1	774.3	774.3	805.3	----	1.68
Extra Income	5¼	43.00	43.00xd	45.90	----	4.36
F East Emerg Ecos	5¼	63.95	63.95	68.47	----	0.11
Fund Inv Tst	5	131.6	135.5	144.7	----	1.69

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Buckmaster Mangmt Co Ltd—Contd.						
International	5	118.8	118.0	125.6	+0.1	1.00
(Accum Units)	5	163.4	163.4	172.8	+0.1	1.00
Smaller Co's	5	102.2	104.3	110.0	+1.4	2.30
(Accum Units)	5	112.3	113.9	120.9	+2.0	2.30
Inv Portfolio	2½	54.26	55.22	56.93	+0.41	3.59
(Accum Units)	2½	56.39	57.32	59.09	+.41	3.59
High Income Port	3	47.57	48.33	50.00	+0.66	5.81
Burrage Unit Tst Mangmt Ltd (0905)F						
117 Fenchurch St, London EC3M 5AL 01-480 7216						
Stk Dld Gilt & FI	1¼	56.05	55.05	55.84	----	2.83
CCF Foster Braithwaite UT Mngt (1100)F						
1 White Hart Yard, London SE1 1NX 01-407 5966						
F&O Sel Intl Gwth	5½	53.18	53.10xd	57.22	+0.42	1.31
CCL Unit Trusts Ltd (1400)F						
74 Shepherds Bush Green, W12 8SD 01-740 7070						
KK General Tst	5½	54.97	55.95	59.87	+0.16	2.23
Global Tst	5½	48.39	48.76xd	52.15	-0.10	2.01
Recovery Tst	5½	46.52	46.52	51.72	-0.10	1.92
CIBC Unit Tst Managers plc (1200)H						
Cottons Ctr, Cottons Lane, Ldn. SE1 2QL 01-234 6000						
Growth Fd Acc	5	113.1	114.8xd	121.1	+0.0	4.30
CIS Unit Managers Ltd (1000)F						
PO Box 105, Manchester M60 0AH 061-837 5060						
UK Growth	6	104.5	106.1	112.9	+1.8	2.00
UK Income	6	102.7	104.4	111.1	+1.5	4.98
CS Fund Managers Limited (1000)H						
125 High Holborn, London WC1V 6PY 01-242 1148						
CS America	5	67.56	67.56	71.86	+0.10	1.15
CS International	5	62.15	62.15xd	66.11	+0.78	1.66
CS Japan	5	156.6	156.6	166.5	+0.3	0.32
CS Portfolio Inv &	5	70.03	70.85xd	75.37	+0.15	3.68
Canada Life Unit Tst Mgrs Ltd (1200)F						
High St, Potters Bar, Herts, EN6 5BA 0707 51122						
Can Gen Dist	5	150.3	153.0	160.7	+1.20	2.88
Do Gen Accum	5	253.0	258.5	271.4	+2.00	2.88
Do Income Dist	5	94.40	96.75xd	101.6	+0.60	5.54
Do Inc Accum	5	222.3	227.9	239.5	+1.40	5.54
Gilt & Fxd Inc	5	35.57	35.69	37.47	-0.28	8.57
Cannon Fund Managers Ltd (0700)H						
1 Olympic Way, Wembley, HA9 0NB						
01-902 8876. Dealing: 0800 282621						

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Wardley Unit Tst Mngrs Ltd (0900)F
3 Harbour Exchange, London, E14 9GJ

Waverley Unit Tst Mngmt Ltd (1500)F
13 Charlotte Sq, Edinburgh

Wellington Fund Mngrs Ltd (1200)F
2, London Bridge, SE1 01-407 4404

Wessex Asset Management (1330)F

Whittingdale Unit Tst Mngmt Ltd
2 Honey Lane, London EC2V 8BT 01-606 9132

Willbro Financial Services Ltd (0905)F

Windsor Trust Mngrs Ltd (1200)F
83 Kingsway, London, WC2B 6SD 01-405 8331

AEtna Life Insurance Co Ltd—Contd.

Albany Life Assurance Co Ltd
3 Darkes Lane, Potters Bar EN6 1AJ 0707 42311

OTHER UK UNIT TRUSTS

INSURANCES

Continued on next page

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	Bid Price	Offer Price	+ or −	Yield Gross
Premium Life Assurance Co Ltd				
37-39, Perrymount Road, Haywards Heath 0444 458721				
American	122.0	129.8	-2.0	—
Building Soc. Fd	177.0	187.8	----	—
Balanced	285.8	300.0	----	—
European	202.0	213.0	+1.0	—
GT Managed	189.0	199.0	+1.0	—
Gartmore Mngd	129.0	136.0	----	—
German	165.0	174.0	+2.0	—
Gilt	171.0	180.0	-2.0	—
Global	48.8	51.0	-1.0	—
High Inc	106.0	112.0	----	—
International Equity	203.0	214.0	+1.8	—
Japan	294.0	310.8	----	—
Managed	58.0	62.0	----	—
Property	309.0	326.0	----	—
R. W. Imperial Gold	148.0	156.0	----	—
UK Equity	316.0	333.0	-1.0	—
Pension Funds				
American	153.0	162.0	----	—
Building Soc. Fd.	181.0	191.0	----	—
Balanced	222.8	234.0	----	—
European	198.0	209.0	----	—
German	139.0	147.0	----	—
Gilt	153.0	162.0	----	—
International Equity	144.0	152.0	----	—
Japan	147.0	155.0	----	—
Managed	64.8	68.0	----	—
Property	238.0	251.0	----	—
UK Equity	304.0	320.0	----	—
Professional Life Assurance Co Ltd				
Frobisher Hse, Nelson Gate, Southampton 0703 232323				
Pensions Managed Fund	95.70	101.15	----	—
Pensions Cash Fund	82.39	86.72	----	—
Prolific Life & Pensions Ltd				
Stramongate, Kendal, Cumbria LA9 4BE 0539 733733				
Managed Fund see Balanced Growth Managed Fund				
Life Funds				
Balanced Gwth Mngd	615.5	648.6	+0.2	—
Adventurous Mngd	136.2	143.6	+0.3	—
Secure Mngd	109.9	113.9	----	—
Cash Fd	242.3	255.4	----	—
Property Fund	299.6	315.8	----	—
Equity Fund	679.3	737.1	-0.3	—
Fxd Int. Fund	292.2	308.0	----	—
International	338.5	360.2	-2.5	—
High Income	447.0	476.4	+3.0	—
[illegible]				

	Bid Price	Offer Price	+ or −	Yield Gross
Prudential Holborn Pensions Ltd—Contd.				
Index Linked Gilt	203.5	214.3	-1.1	—
Guaranteed	14.00		+0.07	—
International Money	213.6	224.9	-0.4	—
North American	82.6	87.0	-0.7	—
Japanese	170.5	179.5	-1.3	—
European	115.8	121.5	+1.4	—
Special Situations	112.5	118.5	+1.0	—
Communications	102.9	108.4	-0.3	—
Smaller Companies	105.2	110.8	-1.7	—
International Small Co	145.1	152.8	-0.5	—
Prudential Pensions Limited				
Holborn Bars, London EC1N 2NH 01-548 3281				
Discretionary Nov 29	£166.82	171.80	+3.17	—
Equity Nov 29	£174.92	181.22	+4.09	—
International Nov 29	£30.54	31.22	+0.70	—
Intl Bond Nov 29	£13.10	13.27	+0.02	—
Fixed Int Nov 29	£74.03	74.86	-0.03	—
Index Linked Nov 29	£63.98	64.38	-0.63	—
Property Nov 29	£116.69	123.52	+0.02	—
Cash Nov 29	£22.2905	22.2905	+0.0608	—
Pre-Linked Retirement Plan				
Managed Dec 5	398.0	414.6	----	—
Cash Dec 5	208.9	217.6	----	—
Prudential Pensions Investment Account				
Pens Mngd Dec 6	160.0	172.2	+0.2	—
Pens UK Eq Dec 6	291.9	314.8	+1.9	—
Pens Intl Dec 6	210.1	226.2	-1.0	—
Pens Fixed Dec 6	170.0	179.4	+1.6	—
Pens Index Lk Dec 6	164.5	173.0	+0.6	—
Pens Cash Dec 6	136.3	143.6	----	—
Regency Life Assurance Co Ltd				
Regency Hse, Lanark Sq, London E14 9XS 01-538 8800				
Aggressive Pfflio Fd	121.7	128.1	+0.1	—
Balanced Pfflio Fd	318.1	334.87	+0.9	—
Cautious Pfflio Fd	124.3	130.8	-0.3	—
Elite Fund	110.1	115.8	+1.3	—
European Fund	98.0	103.9	-0.2	—
Far East Fund	116.7	122.8	-0.8	—
Fixed Interest Fund	247.4	260.4	+0.7	—
International Fund	296.8	312.4	+0.4	—
Money Fund	183.1	192.7	+0.1	—
N American Fd	128.2	134.9	-0.3	—
Property Fund	396.3	417.1	+1.9	—
UK Equity Fd	380.7	400.7	+1.6	—
[illegible]				

[illegible]

MANAGEMENT SERVICES

[illegible]

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

IoM (SIB RECOGNISED)

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

SWITZERLAND (SIB RECOGNISED)

[illegible]

GUERNSEY (**)

[illegible]

JERSEY (**)

[illegible]

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FT UNIT TRUST INFORMATION SERVICE

[illegible]

ISLE OF MAN (**)

[illegible]

LUXEMBOURG (**)

[illegible]

OTHER OFFSHORE FUNDS

[illegible]

OFFSHORE INSURANCES

[illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
134¼	124	Treas 2pc IL '90 (84.6)	134¼	+⅛	[illegible]	9.98
[illegible]	98	Exch 11pc 1990‡‡	99	+⅛	[illegible]	14.15
101	99	Exch. 12½pc 1990	99½		[illegible]	14.47
[illegible]	91	Treas. 3pc 1990	96	+⅛	3.1	11.96
97¼	95¼	Treas 8¼pc 1987-90‡‡	97		8.[illegible]	13.99
98	95¼	Treas. 8pc Cv 1990 ‡‡	96		[illegible]	11.99
98	96	Treas. 10pc Cv 1990	96	–⅛	[illegible]	13.98
93	87	Exch 2½pc 1990	92¼		2.7	10.94
101	98	Treas 11¾pc 1991	98	–⅛	11.[illegible]	11.61
93¼	89¾	Funding 5¾pc '87-91‡‡	92½		[illegible]	12.04
90	86	Treas. 3pc 1991	90		3.3	10.59
100	95½	Treas 10pc Cv '91 ‡‡	95	+⅛	10.4	13.07
101	96	Exch. 11pc 1991	97	–⅛	11.[illegible]	12.77
94	91	Treas. 8pc 1991	92		8.71	12.70
106	100¼	Treas 12¾pc 1992‡‡	100	–⅛	12.69	12.43
99½	95	Treas 10pc 1992	95		10.48	12.37
94	90	Treas. 8pc 1992 ‡‡	91	+⅛	8.76	12.35
100¼	96	Treas 10½pc Cv 1992‡‡	96		10.88	12.21
85¾	82¼	Treas. 3pc 1992	84		3.56	10.26
105	99	Exch. 12¼pc '92	100	+⅛	12.25	12.21
109¼	103½	Exch 13½pc 1992	103¼	–⅛	13.07	12.05
94	90	Treas 8¼pc 1993	90	+⅛	9.12	11.89
100	95	Treas 10pc 1993‡‡	95		10.49	11.70
108¼	101	Treas 12½pc 1993‡‡	102		12.26	11.79
88	84	Funding 6pc 1993‡‡	85½	–⅛	7.01	10.72
113	106	Treas 13¾pc 1993‡‡	106	+⅛	12.90	11.62
94	89	Treas. 8½pc 1994	89	–⅛	9.45	11.60
117	109	Treas 14½pc 1994‡‡	109	+⅛	13.18	11.44
113	106	Exch 13½pc 1994	106	+⅛	12.69	11.59
100	94	Treas. 10pc Ln. 1994‡‡	95	+⅛	10.52	11.42
110	102	Exch. 12½pc 1994	103	+⅛	12.11	11.57
[illegible]	91½	Treas 9pc 1994‡‡	91	+⅛	9.86	11.34

Five to Fifteen Years

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
108	101	Treas 12pc 1995	101	+⅛	11.[illegible]	11.48
79	72	Exch 3pc Gas 90-95	75	+⅛	3.[illegible]	8.73
101	95	Exch. 10¼pc 1995	95	–⅛	10.7	11.36
113	106	Treas 12¾pc 1995‡‡	106	+⅛	11.[illegible]	11.24
119	110	Treas. 14pc '96	110	+⅛	12.[illegible]	11.42
97	90	Treas. 9pc 1992-96‡‡	90	+⅛	9.[illegible]	11.08
128	117	Treas 15¼pc 1996‡‡	117	+⅛	12.[illegible]	11.25
117	108	Exch 13¼pc 1996‡‡	108	+⅛	12.[illegible]	11.21
101	94	Conversion 10pc 1996	94	+⅛	10.[illegible]	11.09
118	109	Treas 13¼pc 1997‡‡	110	+⅛	12.[illegible]	11.16
[illegible]	96	Exch 10½pc 1997	97	+⅛	10.8	11.06
[illegible]	88	Treas 8¾pc 1997‡‡	89	+⅛	9.[illegible]	10.84
126	118	Exch 15pc 1997	118	+⅛	12.8	11.29
100	93	Exch. 9¾pc 1998	93	+⅛	10.[illegible]	10.95
84	78	Treas 6¾pc 1995-98‡‡	79	–⅛	8.48	10.45
134	123	Treas. 15½pc '98‡‡	124	+⅛	12.47	11.09
111	105	Exch. 12pc 1998	105	+⅛	11.38	11.02
100	92	Treas 9½pc 1999‡‡	93	+⅛	10.19	10.67
115	106	Exch. 12¼pc 1999	107	+⅛	11.43	10.99
105	97	Treas. 10½pc 1999	97	+⅛	10.72	10.85
104	96	Conversion 10¼pc 1999	96	+⅛	10.63	10.84
94	86	Treas. 8½pc Ln 2000‡‡	87	+⅛	9.76	10.58
97	89	Conversion 9pc 2000‡‡	90	+⅛	9.98	10.58
122	112	Treas. 13pc 2000	112	+⅛	11.57	10.98
103	95	Treas 10pc 2001	95	+⅛	10.46	10.67
124	114	Treas. 14pc '98-01	115	+⅛	12.18	11.21
102	93	Conversion 9¾pc 2001	94	+⅛	10.35	10.62
113	104	Exch. 12pc '99-02	105	+⅛	11.41	11.07
104	95	Conversion 10pc 2002	96	+⅛	10.40	10.56
102	94	Treas 9¾pc 2002	94	+⅛	10.31	10.53
97	89	Exch. 9pc 2002	89	+⅛	10.03	10.46
[illegible]	116	Treas. 13¾pc 2000-03	116	+⅛	11.78	11.03
105	96	Treas 10pc 2003	96	+⅛	10.39	10.40
113	103	Treas. 11½pc 2001-04	104	+⅛	11.02	10.82
106	96	Treas. 10pc 2004	97	+⅛	10.27	10.35
59	54	Funding 3½pc '99-04	54	+⅛	6.39	9.18
102	93½	Conversion 9½pc 2004	93	+⅛	10.10	10.29

BRITISH FUNDS—Contd

Over Fifteen Years

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
103	93	Conversion 9½pc 2005	94	+⅛	10.[illegible]	10.25
111	101	Exch. 10½pc 2005	101	+⅛	10.[illegible]	10.24
125	114	Treas. 12½pc 2003-05	114	+⅛	10.[illegible]	10.45
90	82	Treas. 8pc 2002-06‡‡	82	+⅛	9.[illegible]	10.17
118	108	Treas. 11¾pc 2003-07	108	+⅛	10.[illegible]	10.46
96	86	Treas 8½pc 2007 ‡‡	87	+⅛	9.7	10.02
134	122	Treas. 13½pc '04-08	122	+⅛	10.[illegible]	10.39
101	91	Treas. 9pc 2008 ‡‡	91	+⅛	9.[illegible]	9.95
99	91	Treas. 9pc 2008 B	91	+⅛	9.[illegible]	9.95
92	83	Treas 8pc 2009	83	+⅛	9.[illegible]	9.90
102	91	Conv 9pc Ln 2011 ‡‡	92	+⅛	9.[illegible]	9.86
68	61	Treas. 5½pc 2008-12‡‡	61		8.[illegible]	9.64
89	80	Treas. 7¾pc 2012-15‡‡	80		9.[illegible]	9.81
132	118	Exch. 12pc '13-17	119	–⅛	10.[illegible]	9.88

Undated

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
45	40	Consols 4pc	40	+⅛	9.94	–
40	35	War Loan 3½pc‡‡	35	+⅛	9.84	–
70	60	Conv. 3½pc '61 Aft	61	+⅛	5.70	–
41	31	Treas. 3pc '66 Aft	31	+⅛	9.39	–
30	25	Consols 2½pc	25	+⅛	9.85	–
29½	24	Treas. 2½pc	25		10.00	–

Index-Linked

1989 High	Low	Stock (b)	Price £	+ or –	(1)	(2)
112	109	Tr. 2pc '92‡‡ (97.8)	111		2.94	4.08
105	94	Do. 2 '94 (102.9)	104		2.88	3.46
155	139	Do. 2pc '96 (67.9)	154	+⅛	3.01	3.40
130	118	Do 2½pc '01 (78.3)	129	+⅛	3.47	3.72
127	115	Do. 2½pc '03 (78.8)	125	+⅛	3.58	3.78
131	117	Do. 2pc '06 (69.5)	129	+⅛	3.58	3.76
123	110	Do. 2½pc '09 (78.8)	120	+⅛	3.59	3.76
128	114	Do. 2½pc '11 (74.6)	125	+⅛	3.58	3.73
106	95	Do. 2½pc '13 (89.2)	104	+⅛	3.59	3.70
115	101	Do. 2½pc '16 (81.6)	112	+⅛	3.52	3.67
112	100	Do. 2½pc '20 (83.0)	110	+⅛	3.47	3.60
95	84	Do. 2½pc '24‡‡ (97.7)	92	+⅛	3.43	3.54

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for March 1989: 112.3 and for October 1989: 117.5.

INT. BANK AND O'SEAS

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
108	98	African Dev Bk 11¼ Ln 2010	98	–⅛	11.32	11.35
104	94	Asian Dev Bk 10¼pc Ln 2009	94	–⅛	10.86	10.95
130	117	Australia 13½pc 2010	117	–⅛	11.47	11.27
111	101	Do. 11½pc Ln 2015	102	–⅛	11.22	11.21
110	98	Euro Inv Bk 11pc Ln 2002	98	–⅛	11.11	11.14
119	107	Int-Am Dev Bk 12½pc 2003	107		11.60	11.35
99	89	Do. 9½pc Ln 2015	89	–⅛	10.90	11.00
97½	89	Malaysia 10¼pc Ln 2009	89		12.08	12.24
120	110	Ist Mexican States 16½pc 2008	110		15.00	14.90

CORPORATION LOANS

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
111	101	Birmingham 11½pc 2012	101		11.35	11.30
91	85½	GLC 6¾pc 1990-92	87½		7.71	11.65
124	115	Leeds 13½pc 2006	115½		11.69	11.36
33	30	Liverpool 3½pc Irred	30		11.67	–
95½	92	LCC 6¾pc '88-90	95½		7.07	12.20
30	26	Do. 3pc '20 Aft	28		10.71	–
107½	100½	Manchester 11½pc 2007	100½		11.44	11.40

COMMONWEALTH & AFRICAN LOANS

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
89½	86½	NZ 7½pc 1988-92	87½	–⅛	8.25	12.20
206	206	S Rhod 2½pc Non-Assd	206		–	–
84½	84½	Do. 4½pc 87-92 Assd	84½		5.33	9.33

LOANS

Building Societies

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
100	99	Anglia 12½pc 2.1.90	99	+⅛	12.84	13.25
100	98	Do 12½pc 29.1.90	99		12.63	13.33
100	98	Do. 12½pc 26.2.90	99		12.78	15.30
100	98	Do. 12¾pc 19.3.90	99		12.97	15.36
100	98	Do. 11¾pc 23.4.90	99	–⅛	13.48	15.33
100	98	Do. 13pc 14.5.90	99		13.12	13.26
100	98	Do. 13¾pc 4/6/90	99		13.78	15.20
100	99	Do. 14½pc 2.7.90	99		14.37	15.18
100	98	Do. 13¾pc 23.7.90	99		13.76	13.08
100	98	Do. 11¾pc 13.8.90	98		11.45	14.99
100	98	Do. 13¾pc Bds 3.9.90	99		11.53	14.94
107½	98	Do. 3¾pcIL Ln 2021	107		4.34	4.47
107½	99	Do. 4.25pcIL '24	106		4.33	4.29

Public Board and Ind.

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
47	43	Met. Wtr. 3pc 'B'	45		6.67	10.86

FOREIGN BONDS & RAILS

1989 High	Low	Stock	Price £	+ or –	Div % Gross	Red. Yield
50	40	Greek 7pc Ass	50		3.50	17.00
50	40	Do. 6pc 28 Stb Ass	50		3	16.00
50	40	Do 4pc Mixed Ass	50		2	14.00
80	65	Hung '24 Ass	80		2.75	13.57
139	125	Hydro Quebec 15pc 2011	125	–⅛	15.00	11.78
128	113	Iceland 14½pc Ln 2016	114	–⅛	14.50	12.62
97	90	Ireland 9¾pc '91-96	90		10.77	11.80

AMERICANS

1989 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
44	26	Abbott Laboratories	43	–⅛	$1.40	–	2.0
579p	361p	Allegheny & W 1c	434p	–9	30c	–	4.4
18	12	Amax $1	14	–⅛	80c	–	3.5
11	6	Ambase Corp $1	8		20c	–	1.5
12	695p	Amdahl 5c	840p	–9	10c	–	0.7
37	25	Amer Cyanamid $5	34	+⅛	$1.35	–	2.5
25	14	Amer. Express 60c	22	–⅛	84c	–	2.4
28	15	American T. & T. $1	27		$1.20	–	2.7
41	26	Ameritech $1	39	–⅛	$2.92	–	4.7
659p	490p	Asiamerica Equity	571p	–8	–	–	–
22	9	BankAmerica $1	14	–⅛	60c	–	2.3
31	19	Bankers N.Y. $1	28	–⅛	$2.12	–	4.7
68	38	Bell Atlantic $1	67	–⅛	$4.40	–	4.2
35	19	BellSouth Corp	34	–⅛	$2.52	–	4.7
15	9	Bethlehem Steel $8	11	–⅛	40c	–	2.2
12	868p	Bio-Rad Labs A	10	–⅛	–	–	–
20	15	Bowater Inc	18	+⅛	$1.12	–	3.9
12	8	Brunswick 75c	8	–⅛	44c	–	3.1
46	28	CPC Intnl 25c	44	–⅛	$1.80	–	2.6
863p	333p	California Engy	832p	+10	–	–	–
36	17	Campbell Soup 15c	32	–⅛	92c	–	1.8
28	15	Chase Manhattan $12½	22	–⅛	$2.36	–	6.8
26	17	Chem. Banking Corpn.	20		$2.72	–	8.4
17	12	Chrysler $6¼	12	+⅛	$1.20	–	6.5
22	14	Citicorp $1	18	–⅛	$1.62	–	5.6
41	25	Colgate-Palmolive $1	39	–⅛	$1.48	–	2.4
17	10	Cont'l Bank Corp $4	15		80c	–	3.9
410p	218p	Corporate Data Scncs	318p		–	–	–
27	21	Dana Corp $1	21	–⅛	$1.60	–	4.7
12	801p	Data General	800p	–⅛	–	–	–
38	26	Dun & Bradstreet $1	26		$2.00	–	4.7
43	24	Eaton Corpn. 50c	39	–⅛	$2.00	–	3.6
11	8	Echlin Inc	8	+⅛	70c	–	5.0
21	16	FPL Group 1c	22	+⅛	$2.24	–	6.7
23	13	Fluor Corp 62½pc	20	–⅛	16c	–	0.5
35	27	Ford Motor $1	28	+⅛	$3.00	–	6.6
40	24	Gen. Elect 63c	40	+⅛	$1.88	–	3.0
579p	365p	General Host Corp $1	412p	–1	30c	–	4.6
39	18	Gillette $1	30	–⅛	96c	–	2.0
987p	408p	Gt American Bank Bn $1	412p	–1	20c	–	3.1
23	16	Greyhound $1½	19	–⅛	$1.32	–	4.3

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[illegible]

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

UNIT TRUST NOTES

[illegible]

LONDON SHARE SERVICE

AMERICANS—Contd

1989 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
15⅜	847p	Hasbro Inc 50c	12⅝	–⅜	[illegible]	–	0.8
37½	32¼	Honeywell $1½	52⅛xd	–¾	$2.[illegible]	–	3.3
22⅝	15¼	Houston Inds.‡	22¼	–¼	$2.[illegible]	–	8.4
76⅞	60¾	IBM Corpn $1¼	62⅞xd	–½	$4.[illegible]	–	4.9
600p	450p	Image Storage/R.Svs.1c	50p	.....	–	–	–
32⅛	18⅛	Ingersoll-Rand $2	28⅞xd	–⅛	$1.[illegible]	–	2.6
33¼	22½	Lockheed Crpn. $1	24⅜xd	–⅜	$1.[illegible]	–	4.6
22⅝	11⅛	Lone Star Inds $1	11½xd	–⅛	$1.[illegible]	–	10.5
27¾	17½	Louisiana Land 15c	26⅜xd	–⅛	$1.[illegible]	–	2.4
20½	11½	Lowe's 50c	19⅝	.....	[illegible]	–	1.6
28⅞	15⅞	Manuf. Hanover $1	22	–⅜	$3.[illegible]	–	9.4
22⅝	13⅞	Merrill Lynch $1	16⅝	.....	$1.00	–	3.8
24¾	19⅛	Molex Inc.	22⅞	+⅞	3.2c	–	–
30⅜	18⅜	Morgan (JP) $2½	26½xd	–⅞	$1.66	–	4.0
28⅞	24⅛	Morris (Philip)	26⅛xd	–⅝	$1.13	–	2.7
54⅜	36⅛	NYNEX $1	54	.....	$4.36	–	5.1
44p	16p	N'wide Legal Serv.‡	16p	–4	–	–	–
24⅞	18⅛	PHH Corp. ‡	23⅛	.....	$1.16	–	3.2
259p	167p	♦Pacific Agr.‡	179p	.....	–	–	–
28½	19	Pacificorp $3¼	28⅛xd	+⅛	$2.76	–	5.9
30⅜	16⅞	Pacific Telesis 10c	30¼	+⅛	$1.88	–	3.9
22⅞	15¼	Pall Corp. 25c	21⅜	–⅜	48c	–	1.9
55⅜	39⅞	Pennzoil 83 1/3c	52⅞xd	+⅞	$3.00	–	3.6
42¼	28⅜	Quaker Oats $5	36⅜	–1⅛	$1.40	–	2.4
32⅜	23⅛	Rep NY Corpn $5	30⅞xd	+⅞	$1.28	–	2.6
16⅛	11⅞	Rockwell Intl. $1	12⅞xd	–⅛	78c	–	3.9
29½	22	Sears, Roebuck 75c	23⅞xd	+⅛	$2.00	–	3.3
37½	21⅜	Southwestern Bell $1	36½	–⅜	$2.60	–	4.5
27⅞	17⅞	Sun Co. Inc. $1	25⅝xd	+⅞	$1.80	–	4.4
31⅛	22⅞	TRW Inc. 62½c	30⅞	+⅞	$1.72	–	3.6
24⅞	14⅝	TW Services $5	21¼	+⅛	–	–	–
40⅞	26¾	Tenneco $5	38¼	+2	$3.04	–	5.0
35⅞	28	Texaco $6.25	34⅞xd	.....	$3.00	–	5.5
28⅞	18⅞	Texas Instr. $1	22⅞xd	–⅛	72c	–	2.0
117⅞	58⅝	Time Inc. $1	82⅞	–1⅛	$1.00	–	0.8
19⅜	13⅞	TRINOVA Corp.	14⅛	–⅛	s68c	–	3.0
26½	16	USX $1	23⅛xd	+⅛	$1.40	–	3.8
321p	126p	♦Unilab	308p	.....	–	–	–
36⅝	21¼	Utd. Technologies	33xd	.....	$1.60	–	3.1
168p	121p	♦Utilitech Inc.	168p	.....	–	–	–
48¼	31½	US West‡	46¼	–⅛	$3.76	–	5.1
43⅛	22⅝	Waste Management $1	42⅞xd	–½	60c	–	0.9
20½	13⅛	Whirlpool $1	18⅜	+⅛	$1.10	–	3.7
24⅛	16⅞	Whitman Corp.	17⅜	.....	$1.02	–	3.7
46⅜	28⅛	♦Woolworth $3½	30⅝	.....	$1.88	–	3.1

CANADIANS

High	Low	Stock	Price	+ or –	Div Gross	C'vr	Y'ld Gr's
186p	129p	♦ABM Gold Corp ‡	157p	.....	–	–	–
26p	4½p	♦Abbot Energy Corp.	25p	–1	–	–	–
21⅛	902p	♦Amer. Barrick Res.	20	+⅛	–	–	–
39½p	10½p	♦Armeno.	24p	–3	–	–	–
33½p	8½p	♦Augmitto Explo.	0½p	–½	–	–	–
18½	12¾	Bk. Montreal ‡	10½	+⅛	$2.12	–	6.2
10⅝	655p	Bk. Nova Scot.‡	909pxd	–6	92c	–	5.5
828p	599p	♦BC Gas $1	827p	+1	60c	–	3.9
24⅜	17	BCE ‡	24⅛	.....	$2.44	–	5.4
17	12⅛	♦Brascan‡	14¾	.....	88c	–	3.2
228p	108p	♦Breakwater Res.	172p	+3	10c	–	3.2
18¼	11⅛	Can.Imp Bank‡	10⅛	.....	$1.24	–	3.7
15¼	997p	Can. Pacific ‡	14⅜	+⅛	76c	–	2.7
41½	37	Do. 4pc Deb £100	37xd	.....	4%	–	10.8
588p	374p	Central Capital "A" ‡	540p	+7	–	–	–
585p	340p	♦Corona Corp.	574p	+28	–	–	–
461p	228p	♦Cons TVX Min.	430p	+13	–	–	–
775p	492p	♦Derlan Inds. ‡	505p	.....	11.75c	–	1.3
12½	751p	♦Echo Bay Mines	11⅛	+¼	$0.07	–	0.3
572p	336p	♦ECO Corp ‡	349p	–13	–	–	–
417p	243p	Gandalf Techs. Inc.	352p	+11	–	–	–
186p	122p	Granges Inc. ‡	145p	+6	–	–	–
27½p	3p	♦Gt Pacific Res.	4p	.....	–	–	–
903p	651p	♦Gulf Canada‡	854p	+14	52c	–	3.3
17⅛	10¼	♦Hawker Sid Can‡	13⅞	.....	$1.06	–	4.2
20½	11¼	♦Hudson's Bay ‡	17⅛	+¼	60c	–	1.9
34⅝	23	♦Imperial Oil‡	32¼	+⅛	$1.80	–	3.0
23¾	14⅛	Inco‡	17⅛	–⅛	s$0.80	–	2.9
290p	102p	♦Madeleine Mines	191p	.....	–	–	–
193p	98p	♦Muscocho Explo.	123p	–5	–	–	–
126p	60½p	♦Nevada Goldfields	82p	.....	–	–	–
593p	456p	Nova Corp of Alberta	476pxd	.....	42c	–	4.8
14½	10⅞	♦Rio Algom	12⅛	.....	85c	–	3.7
27⅝	17¼	Royal Bk. Can. ‡	27½xd	+⅛	$2.20	–	4.3
47⅞	33⅛	Seagram‡	54⅝xd	–⅛	US$1.40	–	1.6
700p	348p	♦Sechura Inc.	615p	.....	–	–	–
112p	73p	♦Sonora Gold Corp‡	101p	+3	–	–	–
109p	33p	♦Tara Pare Tech. Corp‡	44p	–5	–	–	–
12¼	806p	Toronto-Dom. Bk‡	11½	–⅛	76c	–	3.6
944p	686p	♦Trans Can Pipe	922p	+7	68c	–	4.0
184p	127p	Varity Corp‡	138p	–1	8	–	–

BANKS, HP & LEASING

1989 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
*290	216	ANZ SA1	269	–1	44c	♦	7.6	4
165	134	Abbey National 10p	163	+2	L7.7	2.7	6.3	6.7
*226	120½	Allied Irish Ord.	226xd	+2	tt068%	3.3	3.6	11.6
£13½	£11¼	Algemene Fl.10	£13⅛	+⅛	Q28%	2.0	6.9	7.3
*80	61	Anglo Irish	77xd	.....	Q11.8%	♦	3.6	4
79	57	Ansbacher (H.) 1p	74	.....	2.0	–	3.6	–
£72½	£38⅜	Bancaire Cie Fr100	£72¼	+2	Q12½%	–	1.8	–
£46⅜	£35⅜	Banco Bilbao Viz.	£44	–⅛	Q35.7%	2.0	3.1	16.2
£33	£28	Banco de Santander	£31¼	.....	Q21%	2.4	2.6	16.2
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES—Contd

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.)—Contd

[illegible]

INDUSTRIALS (Miscel.)—Contd.

[illegible]

INSURANCES

[illegible]

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[illegible]

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[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING, ADVERTISING — Contd

[illegible]

PROPERTY

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Contd

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

MINES—Contd

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

1989 High	Low	Stock		Price	+ or -	Div Net	C'vr	Gr's	P/E
39	20	Sleepy Bids 5p	y	23	...	–	–	–	–
*17½	5½	Stats Hldgs. 5p	y	6½	..	–	–	–	13.0
*3¼	1¼	Swanyard Studios 1p	y	1½	....	–	–	–	7.2
11	2½	System Connection 2½p	y	2½	...	–	–	–	3.3
50	28	Tavern Leis. 20p	y	38	–1	–	–	–	–
115	28	Tomorrows Leisure 20p	y	82	+3	–	–	–	31.2
113	55	UPL Group 10p	y	55	..	2.75	1.9	6.7	10.4
150	129	Unit Group	y	132	+1	5.0	3.3	5.1	7.4
100	66	Video Magic Leis. 1p	y	84	....	W2.0	0.7	3.2	67.3
14	4¼	Vista Ents 5p	y	4¼	–¼	–	–	–	–
43	20	Vizcaya Hldgs 5p.	y	20	....	–	–	–	–
46½	23	Watergate Leisure 20p	y	59	+½	–	–	–	–
32½	10	Do. Wrrnts	y	25	–1	–	–	–	–
10¼	4½	Wilton Group 1p	y	5½	+½	–	–	–	–

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ✽ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially listed.
- ∦ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs. ☆☆ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xl ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock		Price	+ or -
Albany Inv 20p	y	88	.....
Craig & Rose £1	y	830	.....
Finlay Pkg. 5p	y	64	.....
Holt (Jos) 25p	y	1345	+3

IRISH

Stock	Price	+ or -
Cap. 8½% Ln. 1991	£96¾	.....
9pc Cap Ln. 1996	£96¾	.....
Fin. 13% 97/02	£115	.....
Arnotts	400	.....
Carrol (P.J.)	149	+2
Hall (R. & H.)	195	.....
Heiton Hldgs.	92½	+½
IRG	228	.....
United Drug	140	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	41
Amstrad	6½
Astec (BSR)	5½
BAT	67
BOC Grp.	44
BTR	37
Barclays	40
Blue Circle	20
Boots	23
Bowaters	39
Brit Aerospace	46
British Steel	9
Brit. Telecom	22
Cadburys	31
Charter Cons.	42
Comm Union	40
Courtaulds	31
Eurotunnel	65
FKI	8
FNFC	22
Gen Accident	72
GEC	19
Glaxo	60
Grand Met	44
Guardian	19
GKN	33
Hanson	18
Hawker Sidd	55
ICI	90
Jaguar	85
Ladbroke	25
Legal & Gen.	31
Lex Service	26
Lloyds Bank	31
Lucas Inds.	54
Marks & Spencer	16
Midland Bk	26
Morgan Grenfell	38
Nat West Bk	23
P & O Dfd.	51
Polly Peck	38
Racal Elect	70
RHM	39
Rank Org Ord	72
Reed Intnl	34
STC	25
Sears	9
SmKl. Beecham A	48
TI	38
TSB	9
Tesco	16
Thorn EMI	63
Trust Houses	25
T&N	16½
Unilever	57
Vickers	22
Wellcome	55

Property	
Brit Land	27
Control Secs.	5
Land Securities	45
MEPC	45
Mountleigh	13

Oils	
Brit Petroleum	25
Burmah Oil	65
Charterhall	2½
Conroy Petlm	8
Premier	10½
Shell	37
Tuskar Res.	12
Ultramar	28½

Mines	
Lonrho	23
RTZ	45

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Markets await US jobs data

The currency markets were stable but thinly traded yesterday as dealers prepared for today's release of the US November employment report. The dollar was slightly higher as traders bought the US unit to take their holdings to a neutral position before the data. Its strength prompted profit-taking in the D-Mark, while sterling and the yen were steady.

According to MMS International, the financial research company, non-farm payroll employment is expected to rise by 150,000, compared with the 233,00 increase in October, while the unemployment rate is forecast at 5.4 from 5.3 per cent. If the employment report does show a slower pace of growth, the dollar could come under pressure on speculation that the Federal Reserve may ease monetary policy.

The scene was set for the employment report by the release on Wednesday of the Federal Reserve's Tan Book regional survey, which reported weakness in manufacturing industry. The report did not move the dollar but confirmed the market's perception that the US economy is slowing.

The dollar closed et DM1.7725 from DM1.7650. It finished at Y144.30 from Y143.80; at SFr1.5920 from SFr1.5870; and at FFr6.0575 from FFr6.0300. The Bank of England's dollar index closed at 68.8, up 0.2.

The dollar's advance prompted some weakness in the D-Mark, though the continuing political upheaval in Eastern Europe prevented it slipping against all major currencies. Traders said the D-mark appeared to be pausing for breath with some operators adding that it could resume its advance later in the month. The D-mark was at Y81.40 from Y81.55 on Wednesday, but unchanged at FFr3.1450 and at SFr0.8980.

After its recent losses, the yen was steady to slightly firmer though traders felt it yet could come under further pressure. Mr Mark Cliffe, chief economist at the Nomura Researcb Institute, said the markets were concerned that despite signs of inflation, the Japanese money authorities did not seem as willing as the Bundesbank to raise interest rates. He said that because of seasonal factors, Japanese money rates could ease towards the end of next week and this could depress the yen.

Sterling was steady in the face of the firmer dollar as traders who had gone short during the pound's recent weakness covered their positions. Mr Nick Parsons of Union Bank of Switzerland said: "With UK interest rates so high, it's expensive to short sterling, unless the pound happens to be falling. So with sterling having stabilised this week, there has been short-covering."

Sterling closed et DM2.7925 from DM2.7825. It was at $1.5750 from $1.5760; at SFr2.5075 from SFr2.5000; at Y227.25 from Y226.50; and at FFr9.5400 from FFr9.5025. The sterling index closed at 86.5, up 0.2.

£ IN NEW YORK

Dec.7	Latest	Previous Close
£ Spot	1.5670-1.5680	1.5760-1.5770
1 month	0.84-0.83pm	0.85-0.84pm
3 months	2.39-2.36pm	2.48-2.45pm
12 months	8.38-8.28pm	8.92-8.86pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Dec.7	Previous
8.30 am	86.1	86.3
9.00 am	86.2	86.3
10.00 am	86.3	86.4
11.00 am	86.3	86.5
Noon	86.3	85.5
1.00 pm	86.3	86.5
2.00 pm	86.3	86.6
3.00 pm	86.5	86.4
4.00 pm	86.5	86.3

CURRENCY RATES

Dec.7	Bank rate %	Special* Drawing Rights	European † Currency Unit
Sterling #	-	1.22091	1.36811
U.S Dollar	7	1.28861	1.15174
Canadian $	12.46	1.49543	1.33820
Austrian Sch.	6½	16.1360	14.3219
Belgian Franc	10¼	48.1199	42.7324
Danish Krone	10½	8.88819	7.89402
Deutsche Mark	6.00	2.29282	2.03897
Neth.Guilder	7.00	2.58431	2.29518
French Franc	10¼	7.82251	6.95074
Italian Lira	13½	1689.66	1501.18
Japanese Yen	3¼	185.173	166.138
Norway Krone	8	8.75868	7.79727
Spanish Peseta	-	N/A	131.264
Swedish Krona	9½	8.19620	7.29857
Swiss Franc	6.00	2.05662	1.82838
Greek Drach.	20½	210.304	186.490
Irish Punt	-	0.87087	0.771374

Sterling quoted in terms of SDR and ECU per £.
† European Commission Calculations.
* All SDR rates are for Dec.6

CURRENCY MOVEMENTS

Dec.7	Bank of England Index	Morgan** Guaranty Changes %
Sterling	86.5	-24.6
U.S Dollar	68.8	-9.7
Canadian Dollar	105.5	+2.4
Austrian Schilling	109.2	+11.8
Belgian Franc	108.7	-3.9
Danish Krone	107.7	+2.6
Deutsche Mark	117.6	+24.5
Swiss Franc	106.7	+14.9
Guilder	113.6	+16.1
French Franc	102.0	-13.5
Lira	100.4	-18.7
Yen	132.9	+43.1

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100) **Rates are for Dec.6

OTHER CURRENCIES

[illegible]

EURO-CURRENCY INTEREST RATES

Dec 7	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	14⅞-14¾	15-14⅞	15 3/16-15 1/16	15 3/16-15⅛	15⅛-15	14⅞-14⅝
US Dollar	8½-8⅜	8½-8⅜	8½-8⅜	8½-8⅜	8⅜-8¼	8 5/16-8 3/16
Can. Dollar	12⅛-12	12⅛-12	12⅛-11⅞	12⅛-11⅞	11 15/16-11 13/16	11 13/16-11 11/16
D. Guilder	8⅝-8½	8⅝-8½	8¾-8⅝	8¾-8⅝	8⅞-8¾	8⅞-8¾
Sw. Franc	8-7¾	8⅛-7⅞	8⅛-8	8¼-7 15/16	8⅛-7 15/16	8-7⅞
Deutschmark	7⅞-7¾	7⅞-7¾	8 1/16-7 15/16	8⅛-8	8⅜-8¼	8½-8⅜
Fr. Franc	10⅛-10	10⅛-10	10⅜-10¼	10⅝-10½	10⅝-10½	10 11/16-10 9/16
Italian Lira	12-10	13-12	13-12½	13¼-12¾	13-12¾	13⅛-12⅝
B. Fr. (Fin)	9¾-9½	9¾-9⅝	9⅞-9¾	9 15/16-9 13/16	10-9⅞	10-9⅞
B. Fr. (Con)	9¾-9½	9¾-9½	10⅛-9¾	10⅛-9⅞	10⅛-9⅞	10⅛-9¾
Yen	6½-6⅜	6¼-6⅛	6 7/16-6 5/16	6 9/16-6 7/16	6 9/16-6 7/16	6½-6⅜
D. Krone	12⅛-12	12¼-12⅛	12 1/16-12	12⅛-12	11⅞-11¾	11¾-11⅝
Asian $Sing	8 5/16-8 3/16	8 5/16-8 3/16	8⅜-8¼	8½-8⅜	8⅜-8¼	8 5/16-8 3/16

Long term Eurodollars: two years 8⅜-8¼ per cent; three years 8½-8⅜ per cent; four years 8⅝-8½ per cent; five years 8¾-8½ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

POUND SPOT- FORWARD AGAINST THE POUND

Dec.7	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5715 - 1.5805	1.5745 - 1.5755	0.85-0.82cpm	6.36	2.49-2.46pm	6.29
Canada	1.8290 - 1.8345	1.8325 - 1.8335	0.47-0.37cpm	2.75	1.28-1.15pm	2.65
Netherlands	3.13¼ - 3.15¼	3.14¼ - 3.15¼	1¾-1⅝cpm	6.43	4⅞-4⅝pm	6.12
Belgium	58.30 - 58.70	58.45 - 58.55	29-23cpm	5.33	78-68pm	4.99
Denmark	10.78¾ - 10.84¾	10.83½ - 10.84½	2⅞-2½orepm	2.98	8⅝-8⅛pm	3.09
Ireland	1.0520 - 1.0615	1.0590 - 1.0600	0.30-0.25ppm	3.11	0.83-0.73pm	2.94
W. Germany	2.77¾ - 2.79½	2.79 - 2.79½	1¾-1⅝pfpm	7.25	4⅝-4½pm	6.54
Portugal	242.30 - 244.20	243.20 - 244.20	26-74cdis	-2.46	117-228dis	-2.83
Spain	179.60 - 180.30	179.70 - 180.00	2-10cdis	-0.40	10-24dis	-0.38
Italy	2051¼ - 2060½	2059½ - 2060½	5-3lirepm	2.33	11-8pm	1.84
Norway	10.65¼ - 10.69¾	10.67¾ - 10.68¾	2⅞-2½orepm	3.02	8⅝-8⅛pm	3.14
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Commercial rates taken towards the end of London trading. [illegible]

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

[illegible]

EMS EUROPEAN CURRENCY UNIT RATES

[illegible]

EXCHANGE CROSS RATES

[illegible]

FINANCIAL FUTURES AND OPTIONS

[illegible]

CHICAGO

[illegible]

LONDON (LIFFE)

[illegible]

EUROPEAN OPTIONS EXCHANGE

[illegible]

TOTAL VOLUME IN CONTRACTS : 34,886

A=Ask B=Bid C=Call P=Put

MONEY MARKETS

Rates steady

UK money market rates were little changed yesterday as sterling edged slightly higher in thin dealing activity. The key three-month interbank rate was unchanged from Wednesday at 15⅛-15⅛ per cent, while in the futures market the March short sterling contract closed just 2 basis points higher at 85.87.

Operators said dealing had already begun to resemble "a Christmas market" where a shortage of business and lack of market-moving news left traders largely idle.

Analysts said the money market still anticipated no change in interest rates before the middle of next year. Money rates up to six months forward are bunched around 15¼ per cent, and only nine months money is quoted below 15 per cent, the current level of base rates.

UK clearing bank base lending rate 15 per cent from October 5

Initially, the Bank of England forecast a shortage of £700m, though this was revised to £750m at midday. During the morning the Bank purchased £424m of bank bills, of which £59m were in band 1 at 14⅞ per cent and £365m were in band 2 at 14¾ per cent.

In the afternoon, the Bank bought an additional £206m of bills. This included £80m of band 1 Treasury bills at 14⅞ per cent; £64m band 1 bank bills at 14⅞ per cent; and £62m band 2 bank bills at 14¾ per cent. Finally, the Bank provided late assistance of around £110m.

In Frankfurt call money rates eased again slightly to 7.55-7.65 from 7.65-7.75 per cent as the market continued to believe that the strength of the D-Mark makes a rise in West German interest rates unlikely before the beginning of next year.

In Stockholm money market rates were steady after the Swedish central bank said it would raise the official discount rate to 10.5 from 9.5 per cent today. Mr David Bowers, European Economist at BZW, said the Swedish monetary authorities were responding to money market movements.

Over the past month, the three-month rate had risen to 12.7 from 12.1 per cent on worries about inflation and the fast pace of economic growth which had put the Swedish Krone under pressure, he said.

In New York the Federal Reserve, as expected, did not conduct open market operations. Federal Funds were trading at 8½ per cent at the usual time of the Fed's daily operations, unchanged from Wednesday.

FT LONDON INTERBANK FIXING

[illegible]

MONEY RATES

[illegible]

LONDON MONEY RATES

[illegible]

BASE LENDING RATES

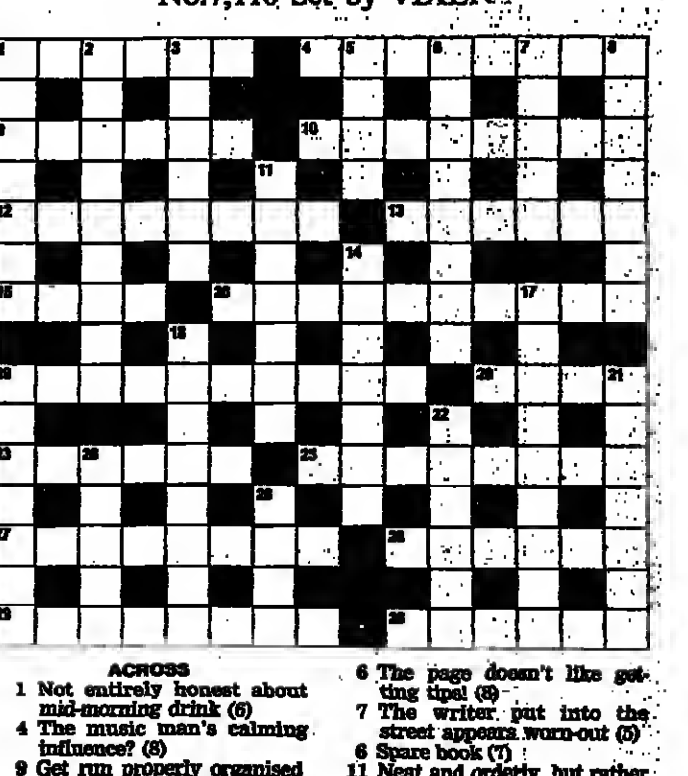
[illegible]			
● Brown Shipley	15	Hongkong & Shangh	15
CL Bank Nederland	15	● Leopold Joseph & Sons	15
● Charterhouse Bank	15	Lloyds Bank	15
Citibank NA	15	Meghraj Bank Ltd	15
City Merchants Bank	15	McDonnell Douglas Bnk.	15
Clydesdale Bank	15	Midland Bank	15
		Mount Banking	15
		Nat. Bk. of Kuwait	15
		NatWestminster	15

● Members of British Merchant Banking & Securities Houses Association. * Deposit new 5.9% Savewise 8.5%. Top Tier-£10,000+ instant access 12.8% $ Mortgage base rate. § Demand deposit 9%. Mortgage 15.2% - 15.95%.

JOTTER PAD

CROSSWORD

No.7,110 Set by VIXEN



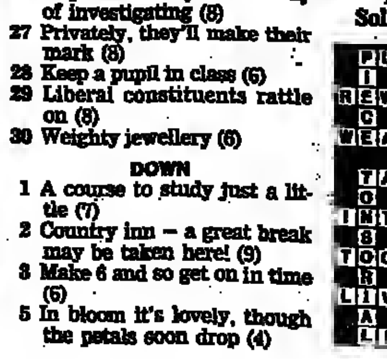
ACROSS

1 Not entirely honest about mid-morning drink (6)
4 The music man's calming influence? (8)
9 Get rum properly organised — it's imperative (6)
10 Without ups and downs in the main (8)
12 Firm set against a good man, a compulsive worker (8)
13 From the outset terriers were the favoured breed of dog (6)
15 The guy taking the wrong line (4)
16 The French people put off will be most wretched (10)
19 State a pier should be used for social events (3-7)
20 Poetry right for the river (4)
23 Scholars with nervous trouble needed something filling (6)
25 A quarter saw just one way of investigating (8)
27 Privately, they'll make their mark (8)
28 Keep a pupil in class (6)
29 Liberal constituents rattle on (8)
30 Weighty jewellery (6)

DOWN

1 A course to study just a little (7)
2 Country inn – a great break may be taken here! (9)
3 Make 6 and so get on in time (6)
5 In bloom it's lovely, though the petals soon drop (4)
6 The page doesn't like getting tips! (8)
7 The writer put into the street appears worn-out (5)
8 Spare book (7)
11 Neat and orderly, but rather slow (7)
14 Soldiers left to relax when free (7)
17 Stick about five hundred – a thousand – in, being game (9)
18 Race isn't involved in this case (8)
19 "Try not the Pass!" the old man said; 'Dark lowers the —— overhead.'" Longfellow (7)
21 Back up rebel leader, way-out (7)
22 Put one container inside another if not in use (6)
24 Inflation is fine for the Americans (5)
26 The monarch in a foreign land (4)

Solution to Puzzle No.7,109



WORLD STOCK MARKETS

AUSTRIA [illegible]

BELGIUM/LUXEMBOURG [illegible]

DENMARK [illegible]

FINLAND [illegible]

FRANCE [illegible]

GERMANY [illegible]

ITALY [illegible]

NETHERLANDS [illegible]

NORWAY [illegible]

SPAIN [illegible]

SWEDEN [illegible]

SWITZERLAND [illegible]

SOUTH AFRICA [illegible]

JAPAN [illegible]

AUSTRALIA [illegible]

HONG KONG [illegible]

SINGAPORE [illegible]

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

CANADA

TORONTO
Closing prices December 6

[illegible]

MONTREAL
Closing prices December 6

[illegible]

Total Sales 8,218,421 shares.

INDICES

NEW YORK

DOW JONES	Dec 6	Dec 5	Dec 4	Dec 1	1989 HIGH	1989 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2736.77	2741.68	2753.63	2747.65	2791.41 (9/10)	2144.64 (3/1)	2791.41 (9/10/89)	41.22 (2/7/32)
Home Bonds	93.64	93.57	93.59	93.49	94.15 (2/8)	87.35 (23/3)	—	—
Transport	1213.73	1220.84	1217.64	1202.38	1532.02 (5/9)	959.95 (3/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	227.68	228.06	228.18	227.80	228.18 (4/12)	181.84 (24/2)	228.18 (4/12/89)	10.50 (8/4/32)

♦Day's High 2754.91 (2773.89) Low 2722.70 (2731.23)

STANDARD AND POOR'S

	Dec 6	Dec 5	Dec 4	Dec 1	1989 HIGH	1989 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	348.55	349.58	351.41	350.63	359.80 (9/10)	275.31 (3/1)	359.80 (9/10/89)	4.40 (1/6/32)
Industrials	398.71	399.72	401.52	400.67	410.49 (9/10)	318.66 (3/1)	410.49 (9/10/89)	3.62 (21/6/32)
Financial	31.90	32.24	32.64	32.74	35.24 (9/10)	24.30 (3/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	192.82	193.19	194.07	193.66	199.34 (9/10)	154.98 (3/1)	199.34 (9/10/89)	4.46 (23/4/42)
Amex Mkt. Value	375.83	374.88	374.66	375.58	397.03 (10/10)	305.24 (3/1)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	456.67	458.55	458.28	457.10	485.73 (9/10)	378.56 (3/1)	485.73 (9/10/89)	54.87 (31/10/72)

	Dec 1	Nov 24	Nov 17	year ago (approx.)
Dow Industrial Div. Yield	3.87	3.97	3.93	3.79

	Nov 28	Nov 22	Nov 15	year ago (approx.)
S & P Industrial div. yield	2.96	2.98	2.98	3.21
S & P Indl. P/E ratio	14.59	14.51	14.40	12.64

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day
Fst. Interstate	3,637,300	52	−1¼
Can Pacific	2,604,100	22⅞	+⅛
Chevron	2,313,400	72	+1⅛
Health Rehab	1,929,600	9⅞	
Fannie Mae	1,998,300	38	−⅞
BankAmerica	1,594,300	26	−1⅞
IBM	1,333,700	98⅞	−1
Gen Electric	1,266,800	63⅜	
Ford Motor	1,176,900	45¼	
RJR	1,103,200	42⅜	−2½

TRADING ACTIVITY

† Volume (Millions)	Dec 6	Dec 5	Dec 4
New York	145.850	154.640	150.360
Amex	12.366	12.348	12.209
NASDAQ	143.951	132.024	113.780
Issues Traded	1,971	1,976	1,975
Rises	700	650	804
Falls	755	834	698
Unchanged	516	492	473
New Highs	71	92	112
New Lows	45	41	47

CANADA

TORONTO	Dec 6	Dec 5	Dec 4	Dec 1	1989 HIGH	1989 LOW
Metals & Minerals	3344.30	3369.31	3366.52	3357.11	3919.2 (1/9)	3207.5 (3/1)
Composite	3951.66	3939.84	3952.66	3958.65	4037.8 (6/10)	3350.5 (6/1)
MONTREAL Portfolio	2015.30	2007.53	2018.00	2012.59	2069.68(10/10)	1677.48 (3/1)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Dec. 7	Dec. 6	Dec. 5	Dec. 4	1989 HIGH	1989 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1634.5	1639.6	1637.1	1646.4	1781.8 (29/8)	1412.9 (7/4)
All Mining (1/1/80)	804.2	802.3	802.6	820.7	875.1 (29/8)	652.6 (7/4)
AUSTRIA						
Credit Aktien (30/12/84)	452.51	437.92	429.43	426.20	515.09 (11/10)	219.5 (2/1)
BELGIUM						
Brussels SE (1/1/80)	6587.42	6575.49	6564.47	6560.18	6805.28 (26/9)	5319.30 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	359.39	360.93	359.27	358.94	360.93 (6/12)	275.49 (27/2)
FINLAND						
Unitas General (1975)	621.3	(c)	626.3	626.6	815.8 (18/4)	580.8 (23/11)
FRANCE						
CAC General (31/12/82)	547.8	542.6	543.8	540.3	561.6 (11/10)	417.9 (4/1)
Ind. Tendance(30/12/88)	126.3	125.1	124.3	124.5	128.1 (10/10)	97.5 (27/2)
GERMANY						
FAZ Aktien (31/12/58)	700.14	695.74	684.01	689.55	700.14 (7/12)	535.78 (27/2)
Commerzbank (1/12/53)	2068.9	2064.4	2018.8	2064.9	2068.9 (7/12)	1595.7 (27/2)
DAX (30/12/87)	1664.08	1658.35	1626.61	1634.31	1664.08 (7/12)	1271.70 (23/2)
HONG KONG						
Hang Seng Bank (31/7/64)	2770.00	2756.39	2764.44	2767.46	3309.64 (15/5)	2093.61 (5/6)
IRELAND						
ISEQ Overall (4/1/88)	1723.46	1732.79	1719.90	1712.58	1840.93 (10/10)	1360.64 (10/1)
ITALY						
Banca Com. Ital. (1972)	669.22	667.87	667.96	670.21	734.84 (31/8)	577.49 (20/2)
JAPAN						
Nikkei (16/5/49)	37858.11	37654.29	37494.17	37303.87	37858.11 (7/12)	30183.79 (5/1)
Tokyo SE (Topix) (4/1/68)	2879.02	2867.32	2850.02	2837.73	2879.02 (7/12)	2366.91 (6/1)
2nd Section (4/1/68)	3767.02	3754.16	3744.59	3731.32	3804.11 (9/10)	2779.38 (27/3)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	263.2	262.3	263.8	262.3	272.7 (21/9)	208.3 (3/1)
CBS All Shr (End 1983)	202.0	201.3	202.5	201.4	210.5 (8/9)	166.7 (1/3)
NORWAY						
Oslo SE (2/1/83)	643.30	640.18	632.42	628.95	695.50 (28/9)	467.17 (2/1)
PHILIPPINES						
Manila Comp (2/1/85)	(c)	(c)	(c)	(c)	1396.26 (20/11)	804.62 (6/2)
SINGAPORE						
Straits Times Ind. (30/12/66)	1445.54	1443.33	1431.39	1426.13	1445.54 (7/12)	1030.69 (4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	2165.0§	2117.0	2084.0	2133.0	2165.0 (7/12)	1291.0 (15/2)
JSE Industrial (28/9/78)	2717.0§	2659.0	2618.0	2608.0	2838.0 (25/8)	1961.0 (3/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	874.94	883.27	884.12	891.13	1007.80 (3/4)	846.30 (1/7)
SPAIN						
Madrid SE (30/12/85)	304.56	(c)	305.55	305.00	328.93 (13/9)	268.61 (1/3)
SWEDEN						
Jacobson & P. (31/12/56)	4007.4	4000.6	3977.0	3962.8	4660.3 (16/8)	3333.9 (3/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	772.6	770.4	771.0	772.5	829.1 (6/9)	613.1 (3/1)
TAIWAN**						
Weighted Price (30/6/66)	8123.50	8283.56	8701.15	8665.85	10773.11 (25/9)	4873.01 (5/1)
THAILAND						
Bangkok SET (30/4/75)	783.80	785.40	(c)	778.28	792.20 (21/11)	386.73 (2/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	557.7	555.2	555.0	557.7 (7/12)	487.6 (13/6)

**Saturday Dec. 2: Taiwan Weighted Price: (c) Korea Comp Ex. 896.34.
§ Subject to official recalculation.
Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Thursday December 7 1989

	Stocks Traded	Closing Prices	Change on day
Sumitomo Mt Ind	40.0m	918	−12
Kobe Steel	88.6m	677	+7
Mitsui (?)	17.8m	710	+17
Nippon Steel	17.0m	827	−13
Nippon Seiko	16.3m	1,440	+30
NKK	16.2m	836	−7
Sumitomo Mt 14	13.4m	2,270	+70
Daiichi Kisen	11.8m	1,300	+60
Toshiba	11.2m	1,300	−20
Kawasaki Steel	10.8m	885	−5

2pm prices December 7

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		— A—A—A —								
37½	22¾	AAR	.48	1.4	22	32	36⅛	35½	35½	— ⅝
9⅝	8⅞	ACM s	1.01	11.		170	9½	9¼	9¼	— ⅛
11⅝	10¼	ACMIn	1.26	11.		402	11⅜	11¼	11¼	— ⅛
10¾	8	ACM M	s1.01	12.		309	8⅞	8¾	8¾	— ⅛
11½	10	ACM Sc	1.26	11.		784	11⅛	11½	11½	— ⅛
9⅝	5⅛	ACMSp	1.01	11.		494	9¼	9⅛	9⅛	
19	11½	AL Lab	.12	.7	19	88	17	16⅞	17	+ ⅛
4⅛	3⅞	AMCA	.12e	8.6	20	8	5⅛	3⅞	5⅛	
6⅜	4¾	AM Intl			10	371	4⅝	4⅜	4½	+ ⅛
23½	13	AM In pf	2	11.		72	19⅛	d18½	18⅞	— ⅛
107¼	21½	AMR			6	1446	65½	54⅞	65⅛	
27	20	AMR pf	2.67	10.		1	25⅞	25⅞	25⅞	— ⅛
8½	3½	ARX				199	3⅞	3⅝	3½	— ⅛
87½	37⅞	ASA	3e	5.4		696	60⅛	54¾	60⅛	+ ½
30⅞	16½	AVX	.24	.8	26	110	29⅝	29⅜	29⅝	
70⅞	46	AbtLab	1.40	2.1	18	14780	68½	28	66⅞	— 1⅜
18¾	12⅛	Abitibi g	1			36	12⅞	12¾	12⅞	
10	7⅞	AcmeC	.40	4.1	16	3	9⅞	9⅞	9⅞	+ ⅛
9⅝	6⅞	AcmeE	.32	3.6	11	21	9½	8⅞	9½	+ ⅛
32½	22	Acuson			32	284	32⅞	32¼	32½	
15⅝	12⅞	AdaEx	2.06e	13.		109	15⅞	15⅞	15⅞	— ⅛
12⅝	8½	Adobe				18	12⅛	12⅛	12⅛	+ ⅛
12⅝	18½	Adob pf	1.84	9.8		8	18⅞	18⅞	18¾	+ ⅛
21⅝	19⅞	Adob pf	2.40	11.		10	21½	21½	21½	
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Continued on Page 49

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NYSE COMPOSITE PRICES

Continued from previous Page

NASDAQ NATIONAL MARKET

2pm prices December 7

AMEX COMPOSITE PRICES

2pm prices December 7

AMERICA

Equities continue to drift sideways

Wall Street

THE AGONISING sideways drift on stock exchanges continued yesterday, with leading indices narrowly mixed at midsession in low volume, *writes Janet Bush in New York.*

At 2 pm, the Dow Jones Industrial Average was 4.69 lower at 2,732.08 on volume of 93m shares. The Dow had lost 4.91 on Wednesday to 12,736.77.

At midsession, the broad-based Standard & Poor's 500 index and the Nasdaq Composite were marginally higher while the American Stock Exchange Index was a little lower.

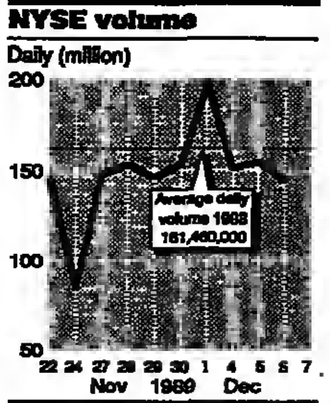
The almost exclusive focus of the market remains the debate about whether the US Federal Reserve will lower interest rates before the end of the year. It has been a tumultuous time for financial markets, which have been trying to second-guess the Fed's intentions.

In late November, markets rallied on the belief that the Fed had lowered its target for the Fed Funds rate to 8¼ per cent from 8½ per cent.

The Fed then moved aggressively to signal that it had not eased policy, hnt markets remained convinced that the economy was soft enough for an easing to be imminent.

That conviction appeared to dissolve on Wednesday when the Tan Book of regional economic reports from Fsderal Reserve banks was slightly more upbeat than expected on prospects for the economy. The publication of the Tan Book coincided with remarks by an unnamed senior Fed official that he did not expect a recession next year and that the prospects for manufacturing were good.

NYSE volume



The bond market continued to fall yesterday, particularly at the short end, as hopes of an easing appeared to dissipate. Today's November employment report is crucial for the markets, because it provides another cbnnk of important evidence of economic activity which might make the Fed's stance clearer.

At tbe beginning of tbe week, forecasts were for a fairly limited increase in the non-farm payroll of perhaps 130,000. However, some analysts revised upwards their estimates of the gain in the non-farm payroll after yesterday's news of a larger-than-expected drop in claims for unemployment insurance in the latest weekly figures.

Among featured stocks was Pinnacle West Capital, which jumped $4⅝ to $10 on news of an agreement with federal regulators to pump $450m in cash and securities the company's troubled Merabank thrift subsidiary.

Phelps Dodge fell $⅝ to $59 after the company said that it would take a fourth-quarter, pre-tax charge of $375m to reflect write-downs on several closed mines.

Airborne Freight added $⅞ to $38⅝ on news of joint ventures with two Japanese companies. Mitsui & Co and Tonami Transportation will provide $100m in aircraft financing and buy $40m of preferred stock.

Champion International fell $1¼ to $30¼ after news that the company is selling the equivalent of an 8 per cent stake to Berkshire Hathaway, tbe compsny controlled by investor Mr Warren Buffett.

First Interstate Bancorp slumped $3⅞ to $48⅞. The company said it was boosting reserves by $400m in the fourth quarter as part of plans to deal witb problem assets at its Texas bank subsidiary.

Inland Steel Industries dropped $2⅞ to $31⅞. The company has revised downwards its fourth-quarter earnings forecast.

Canada

ADJUSTMENTS BY portfolio managers to their accounts before tbe end of the year helped Toronto stocks to rally in light volume hy midday.

The composite index rose 18.8 to 3,970.4 on volume of 15m shares. Advances led declines by 285 to 211.

Bank stocks rose after the last of the hig six hanks reported fourtb-quarter earnings. Canadian Imperial Bank of Commerce gained C$⅝ to C$33⅛ on news of a net loss of C$127m after a C$538m loan loss provision.

Varity rose 4 cents to C$2.56 on plans to cut 1,000 jobs from its Kelsey-Hayes unit.

US retail stocks prove mixed bag

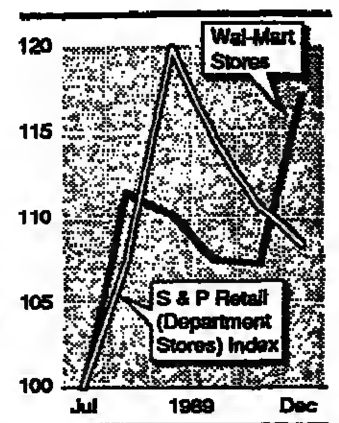
Karen Zagor on the prospect of a less cheery season than usual

THE HALLS are decked with tinsel, angels and boughs of holly in stores throughout the US, but the retailers themselves are not convinced that this Christmas season is a jolly one – particularly after another set of mostly dull to declining monthly sales figures for November.

At Christmas, US stores generally record one third of their total sales and make up to half of their total earnings. But this year may be different. Seasonal mark-downs are greater and more pervasive than in previous years. While overall sales figures will probably improve as a result, price cuts are likely to cut into profits.

Furthermore, the spectre of a softer economy and lower consumer spending is haunting the sector. Retail stocks traditionally decline before an economic slowdown and, while there may be exceptions, there could be some stock market casualties: "The strong will get stronger and tha weak weaker," says Mr Jack Seibald, a retail analyst at Salomon Brothers in New York.

There have been successes. They inclode Nordstrom, a West Coast-based pbenomenon which, with a combination of high-class merchandise, locations and decor, has given the lie to the perception that department stores are dead.



Nordstrom's shares have been trading about 20 per cent higher than a year ago, and its price/earnings ratio has been 20 plus; this reflects a 17.8 per cent advance in revenues in the most recent quarter, compared with 6.7 per cent in US department stores overall.

At the opposite end of the spectrnm, and perhaps reflecting cantion at the consumer end of the economy, variety and discount stores have performed well; their average share price increase of nearly a third over the past year has outpaced the FT-Actuaries World Index for US stocks.

Within that, the Arkansas-based Wal-Mart, which caters for the bargain-hunter with its range of discount stores, has performed exceptionally well. Sales in November jumped 27 per cent. Wal-Mart's share price is over 40 per cent ahead of last year, and its p/e ratio is over 25 compared with about 19 for discount and variety stores as a whole.

Not all US discount stores are doing so well. The share price of K mart, the world's second largest retailer, is slightly lower over a year, although November sales on a comparable store hasis advanced by 3.9 per cent, respectable in the circumstances. Tbese include K mart's transition to so-called "every-day-low-pricing," introduced to lure customers into the stores. Profits have suffered somewhat and its p/e of about 10 is well below average.

Traditional US retailing, wbicb probably needs its Christmas bonus more than newer styles of merchandising, has been shaken hy the liquidation of the B Altman department stores, and some other fine old names have been prey to lesser woes.

Sears, the world's biggest retailer of general merchandise, recently reported November sales only 0.4 per cent up on a year ago while its US merchandising revenues, including catalogue sales, fell 1.6 per cent in the month. Its shares have fallen about 5 per cent in the year to date, against a 16 per cent rise in the US department store sector.

Christmas sales are expected to increase by between 4 and 5 per cent this year, slightly less than last year's 5.2.

Once inflation is included, however, real growth is likely to be only about 1 per cent. "Clearly, we're seeing an acceleration of promotional pressures and that will translate into lower gross margins," says one analyst.

The proposed sale of Bloomingdale's by Canada's Campeau Corporation has also rattled the sector. Bloomingdale'e is not an intrinsically weak operation, but is suffering from an over-leveraged parent company. It seems nnlikely that the new year will see many highly leveraged buy-outs in US retailing. The leverage has lost its appeal, as its capacity to exaggerate downswings in corporate performance has become more evident.

EUROPE

German volume at peak as profit-taking resumes

THE spotlight was again on Germany, although there was excitement in the financial sector elsewhere, *writes Our Markets Staff.*

FRANKFURT tried hard for another gloriously Technicolor day, the DAX index making an intraday high of 1,680.17, up 16.09, and holding it until the last half hour. But then profit-taking came in, and it closed with a rise of 5.73 to 1,664.08 – still a record – after a 4.40 gain to 700.14 in the FAZ at midsession.

However, one record was comprehensively smashed as volume rose from Wednesday's DM10.3bn peak to a new DM11.1bn high. A further rise in bond prices indicated the fundamental strength of the economy, and foreign buying continued at a high level as Deutsche Bank led the most-actives list, rising DM14 to DM754 in turnover of DM1.8bn.

One target of profit-taking was Mannesmann, down DM9.50 at DM330.50 after a five-day rise of 27 per cent, on confirmation that its consortium had won the Bundespost cellular telephone licence. However, Volkswagen continued to strengthen on its East European prospects, climbing DM5.50 to DM521.50.

In banks, Bayerische Vereinsbank shed 50 pfg to DM386.50 after announcing lower 10-month operating profit, a DM390m rights issue and a co-operation agreement with the Victoria insurance group. In retailing, Kaufhof jumped against the sector trend, by DM12.50 to DM659.50, as analysts said that it was undervalued compared with other retailers.

The energy and chemical group, Veba, firmed DM1 to DM366.50 after predicting a 10 per cent rise in 1989 net income. Veba also said Merrill Lynch had offered it a 25 per cent stake in Feldmühle Nobel above the market price, hnt that Veba refused the offer as too expensive. Feldmühle fell DM1.50 to DM525.50.

PARIS continued to focus on financials, as Suez took over from Paribas as the star of the day. Tbe latter saw further sharp gains before the profit-takers moved in, leaving it still FFr6 higher at FFr675.

Suez benefited from interest in the sector, and from the view of some brokers that it was a better, or safer, bet than Paribas, while the Navigation Mixte saga drags on. It gained FFr10.70 to FFr489.90.

Overall, volume was thought to be around Wednesday's FFr2.8bn, or better. The OMF 50 index ended off its highs at 538.48, up 1.28; the CAC 40 index was up 5.34 at 1,965.63.

One trader thought there was little genuine buying, but instead there was short-covering by professionals unwilling to be left out, and business from others taking a pre-Christmas punt. "Some people are expecting this market to reach 2,000 on the CAC 40 by the end of the year," he said.

STOCKHOLM welcomed moves in the banking sector and managed to take in its stride a 'one-point' rise in the discount rate to 10.5 per cent. The Affärsvärlden General index gained 10.8 to 1,175.2.

Nordbanken surged SKr86, or 48.5 per cent, to SKr300 in active trading after the bank recommended the acceptance of a SKr300-a-share bid by PKbanken, which added SKr5 to SKr95. Ostgota Enskilda Bank gained SKr12 to SKr139 on takeover speculation.

AMSTERDAM featured Nedlloyd, the transport group, which pleased the market with its forecast on Wednesday evening of a rise in profits this year of 56 per cent or more, above expectations. The stock climbed Fl 3.60 to Fl 90.20.

DSM, the chemical group, was up Fl 1.10 at Fl 115.10 after news it expects an extraordinary gain of Fl 300m from the sale of its 50 per cent holding in LVM, its plastics joint venture, to the other partner, Tessenderlo of Belgium.

Akzo, which held a presentation in London and also announced plans to invest $80m in an Alabama rubber plant, rose 20 cents to Fl 133.20.

Philips shed 10 cents to Fl 47.90 after news of its 60-cent interim dividend, in line with expectations. The CBS tendency index rose 0.4 to 187.2.

MILAN welcomed the political advance of a tax proposal benefiting Montedison, which rose another L7 to L2,002 as Enimont gained L30 to L1,570. The Comit index rose 1.35 to 669.22 in moderate trading, before today's holiday.

ZURICH saw steady buying in selected blue chips moderated by widespread unease over domestic interest rates. Bargain hunters with a taste for Nestlé, Alusuisse, Sandoz and Roche left the Crédit Suisse index 3.2 higher at 628.6.

BRUSSELS closed mixed in active trading, with the cash market index up 11.93 at 6,587.42. UCB, the chemicals group, jumped BFr1,900, or 9.7 per cent, to BFr21,475 as takeover speculation continued.

Société Générale de Belgique, the holding company, rose BFr30 to BFr3,500 after announcing a merger of its principal non-ferrous metals businesses.

MADRID came back from one holiday and edged lower in thin volume before another holiday today. The general index shed 0.99 to 304.56, but the food sector remained in demand, with Tabacalera up 8 points to 827 per cent of par.

HELSINKI saw the Unitas all-share index ease 5.0 to 621.3, but free shares made good gains. Seven of the 10 most actives were free shares, with Union Bank of Finland's class C gaining FM1.50 to FM31. Nokia's preferred free adding FM9 to FM97.50 and Amer's free A5 rising FM4 to FM159.

COPENHAGEN was mixed again, with rises by some industrials cancelled out by further banking losses. FLS Industries gained DKr46 to DKr746 on news that its subsidiary, cement machinery maker FL Smidth, had bought US rival Fuller Co.

SOUTH AFRICA

ANOTHER surge by gold issues and by industrials pulled Johannesburg higher. Barlow Rand, the industrial, gained R2 to R44.25 after reporting a profits rise.

ASIA PACIFIC

Nikkei advances despite fall in leading issues

CAUTION and profit-taking took their toll of leading issues yesterday, but arbitrage buying pushed the Nikkei to its fourth consecutive high, *writes Michiyo Nakamoto in Tokyo.*

After rising more than 100 points initially, the Nikkei average fell back by early afternoon as investors looked at and worried about the high level of share prices. However, several bouts of late arbitrage buying pushed the Nikkei up by 203.82 to another record of 37,868.11, which was also the day's high. The low was 37,549.53.

Volume slipped to 944m shares from the 1.2bn traded on Wednesday. Advances led declines by 554 to 373 with 212 unchanged. The Topix index of all listed shares rose 11.70 to 2,879.02 while, in London, the ISE/Nikkei 50 index added 1.84 to 2,168.94.

The strong gain in the Nikkei was not an accurate reflection of what happened yesterday, said Mr Masami Okuma at UBS Phillips & Drew. Although the leading index was up strongly, many of the issues which have been leading the market's recent rise, such as steels and real estates, took a beating.

Among steels, Sumitomo Metal Industries, most actively traded, lost Y12 to Y918. Other big companies on the retreat included Mitsubishi Heavy Industries, off Y40 at Y1,180. Kobe Steel, however, managed to sustain its uptrend and added Y7 to Y877 in active trading.

The retail sector, which provided a bright spot in early trading on consumer spending data, saw losses later. Sogo climbed Y70 to Y2,160, before closing unchanged at Y2,090.

Wednesday's interest in laggards and low-priced issues suggests that the market has come full circle, said Mr Okuma. In a round of selective buying, when everything that needs to be bought has been, investors begin looking at those that have been left behind.

Yesterday, buyers went for the last of the laggards, Nippon Telegraph and Telephone. NTT has been shunned on worries that the company could be split, and its return to favour suggests that investors are lost for ideas. NTT rose Y70,000 to Y1.49m. Other laggards in vogue included Nikkatsu, the film producer, up Y17 at Y710 and third in volume terms.

The more cautious analysts are now pointing out that the adverse factors which plagued the market in the autumn were still around. The market does not want to recognise that there is a huge disparity between equities and bonds, where yields are more than 5.5 per cent and moving upwards, said Mr Jonathan McClure at Schroder Securities. The yen was also lower against the dollar.

In addition, the discrepancy between the Nikkei index and the 25-day moving average, where 4 per cent is considered the danger zone, reached 3.9 per cent on Wednesday, suggesting that the index was coming close to being overbought. Yesterday, the gap moved to 4.2 per cent.

On the other hand, the 200-day moving average, which gives a longer term perspective on the index, was at a 10.87 per cent discount to the Nikkei, still safely below the 12 per cent level that is considered high.

Osaka hit its 13th record yesterday, as the OSE average rose 97.89 to 38,845.07. However, volume fell from 119m to 102m shares. Kobe Steel showed strength with a Y19 gain to Y878 in heavy trading.

Roundup

A VARIED volume picture presented itself across the region, with Singapore very busy while Australia and Hong Kong suffered a continued slump in trading. Manila's two stock exchanges are due to reopen on Monday after a week's closure because of the attempted coup.

SINGAPORE had an active day, but the Straits Times industrial index finished little changed as profit-taking set in after 16 rising sessions and took the edge off earlier gains.

The index closed 2.21 better at 1,445.54 as turnover rose to 129m shares worth S$284m, from 94m and S$220m. Among fast rises, Jurong Engineering climbed 68 cents to S$4.

KUALA LUMPUR was pushed to a record on afternoon buying interest, the composite index adding 3.40 to 523.45 in active turnover. Sentiment was helped by Tokyo's sustained rise.

AUSTRALIA saw interest fade away, as the All Ordinaries index lost 5.1 to 1,634.5. Volume was still low at 104m shares worth A$157m against 98m worth A$169m the previous day.

There was a sparkle of life in the gold sector, as Dominion Mining rose 5 cents to A$1.58 on rumours of a takeover by Poseidon, up 2 cents at A$2.55.

Bond Corp recovered 5 cents to 20 cents and Bond Media rose 5 cents to 17 cents after Wednesday's sharp falls. But Bell Resources was off 5 cents at 40 cents, raising speculation that prospects of a takeover bid had faded further.

HONG KONG had its best rise for two and a half weeks, with the Hang Seng index gaining 13.61 to 2,770.00. Volume remained thin at HK$560m, compared with Wednesday's HK$461m, which was the second lowest this year.

TAIWAN pursued its downward course, the weighted index losing 160.06 to 8,123.50 in continued low volume.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY DECEMBER 6 1989						TUESDAY DECEMBER 5 1989			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989 High	1989 Low	Year ago (approx)
Australia (85)	148.74	+0.3	139.92	128.33	+0.1	5.38	148.29	139.99	128.25	160.41	128.28	144.67
Austria (19)	156.18	+2.3	146.92	143.29	+1.2	1.70	152.67	144.13	141.54	172.22	92.84	97.04
Belgium (63)	150.00	+1.0	141.11	137.43	+0.2	4.04	148.57	140.26	137.21	150.00	125.58	131.17
Canada (122)	150.43	+0.4	141.51	126.47	+0.3	3.22	149.79	141.40	126.14	154.17	124.67	121.74
Denmark (36)	237.06	+1.0	223.01	220.78	+0.1	1.43	234.86	221.54	220.63	237.06	165.35	156.67
Finland (26)	127.71	+0.7	120.14	111.63	+0.0	2.53	126.86	119.76	111.63	159.16	118.83	136.81
France (126)	147.05	+1.4	138.33	139.09	+0.8	2.86	144.96	136.86	137.93	147.05	112.57	109.50
West Germany (96)	111.05	+2.3	104.46	101.90	+1.7	2.05	108.55	102.47	100.22	111.05	79.56	86.78
Hong Kong (48)	115.91	−0.4	109.04	116.29	−0.3	4.90	116.33	109.81	116.69	140.33	86.41	111.44
Ireland (17)	171.45	+1.9	161.29	161.70	+0.9	2.74	168.19	158.77	160.23	171.45	125.00	131.01
Italy (97)	92.85	+0.2	87.35	90.36	−0.1	2.53	92.64	87.45	90.43	98.73	74.97	83.71
Japan (455)	197.73	+0.4	186.01	179.73	+0.5	0.45	196.88	185.86	178.84	200.11	164.22	189.89
Malaysia (36)	211.27	+0.4	198.75	220.06	+0.4	2.41	210.35	198.57	219.22	211.27	143.35	140.12
Mexico (13)	288.09	−0.9	271.01	836.26	−1.1	0.62	290.67	274.40	845.36	326.61	153.32	171.76
Netherland (43)	136.91	+0.1	128.80	124.38	−0.8	4.28	136.83	129.17	125.15	136.91	110.63	109.62
New Zealand (18)	74.94	−1.2	70.50	67.17	−1.3	5.32	75.85	71.60	68.09	88.16	62.64	67.40
Norway (24)	185.36	+2.2	174.40	170.29	+1.5	1.60	181.46	171.30	167.73	196.39	139.92	127.86
Singapore (26)	169.62	+0.4	159.57	151.84	+0.1	1.96	168.97	159.51	151.52	170.62	124.57	119.27
South Africa (60)	176.19	+1.5	165.75	152.53	+1.5	3.75	173.58	163.86	150.27	176.68	115.35	123.62
Spain (43)	160.51	+0.9	150.99	138.74	+0.0	3.78	159.11	150.20	138.74	169.75	143.14	146.86
Sweden (35)	171.97	+1.3	161.78	161.28	+0.7	2.12	169.70	160.20	160.15	188.94	138.45	141.13
Switzerland (64)	92.34	+0.1	86.87	90.86	+0.0	2.08	92.23	87.07	90.89	94.16	67.81	77.92
United Kingdom (304)	150.94	+1.4	142.00	142.00	+1.1	4.35	148.80	140.47	140.47	158.41	133.26	136.11
USA (544)	141.37	−0.2	132.99	141.37	−0.2	3.30	141.70	133.77	141.70	146.29	112.13	113.20
Europe (993)	134.24	+1.3	126.29	124.97	+0.8	3.37	132.53	125.11	123.96	134.24	112.63	113.49
Nordic (121)	175.13	+1.2	164.75	156.92	+0.5	1.81	172.97	163.29	156.18	178.38	137.95	135.41
Pacific Basin (668)	192.71	+0.4	181.29	175.15	+0.5	0.69	191.93	181.19	174.34	194.72	160.44	184.81
Euro – Pacific (1661)	169.43	+0.7	159.39	155.08	+0.6	1.55	168.26	158.84	154.20	169.43	141.56	156.26
North America (666)	141.81	−0.2	133.41	140.43	−0.2	3.29	142.09	134.13	140.71	146.66	112.79	113.64
Europe Ex. UK (689)	122.88	+1.2	115.60	114.57	+0.6	2.71	121.43	114.64	113.88	122.88	96.30	99.24
Pacific Ex. Japan (213)	132.67	+0.0	124.80	116.72	−0.1	4.88	132.62	125.19	116.86	140.05	111.93	124.10
World Ex. US (1856)	168.91	+0.7	158.90	154.31	+0.6	1.63	167.75	158.36	153.43	168.91	141.49	154.74
World Ex. UK (2096)	158.72	+0.3	149.32	150.71	+0.2	1.94	158.24	149.39	150.34	158.72	136.98	139.05
World Ex. So. Af. (2340)	157.90	+0.4	148.54	149.85	+0.3	2.14	157.28	148.47	149.39	157.90	136.67	138.87
World Ex. Japan (1945)	139.10	+0.4	130.86	134.45	+0.2	3.39	138.58	130.82	134.21	140.43	114.51	114.17
The World Index (2400)	158.00	+0.4	148.64	149.86	+0.3	2.15	157.38	148.57	149.39	158.00	136.88	138.77

Latest prices were unavailable for this edition. Markets closed December 6: Finland and Spain.

JOBS

Where the real need lies for counselling

By Michael Dixon

Change ten decimals
into a fraction.
Aaaaaaaaaaahhhhhhhhhhh!
is my reaction.

THAT VERSE by young Deepak Kalha leapt to mind the other day while the Jobs column was poring over a survey report* on the use of outplacement consultants.

It is true that there was little to defrost let alone heat the blood in the first few pages. They just chronicled companies' growing habit of hiring external consultancies to ease unwanted staff's departure and, hopefully, speed their re-employment by some other outfit.

Then there tottered forth a sentence which set the corpuscles instantly aboil. It said that over half of the 148 companies surveyed "call in outplacement consultants to counsel employees in situations where work is suffering because of personal chemistry problems; and nearly half of all companies using outplacement provide counselling for employees who have reached a career plateau."

My reaction to that went beyond the poet's to the somewhat loosely defined problem of arithmetic.

"$★&■‡‡●●!"

I yelled, in ◆ redoubled – and for two distinct reasons.

The first is what must be the most inept use to date of a piece of recruiters' jargon: "personal chemistry".

Not only do they bandy the term about, but some claim to understand whatever it stands for well enough to gauge it. As they cannot state the formulae by which they do so, they would be fairer to call it "personal alchemy" ("personal fit" would be yet better). Even so, I have hitherto let the term pass unhindered.

But the trenches must be dug when it starts to appear in phrases like: "work is suffering because of personal chemistry problems." In that case, if anybody needs to be called in, it is not a career counsellor. It's a perfumier.

Worse still, to my mind, is the implication that such counselling is needed by people who have reached a career plateau.

On the face of it, that would seem to mean they have risen as high up the ranks as their talents justify, which in turn implies that they are already doing the best work of which they are capable. If so, it surely ought to be quite the reverse of a problem.

After all, there are few better states any of us might hope to attain in a lifetime. Ideally we should strive not only to reach it as early as we can, but to carry on in it as long as possible. What better could companies hope for, too, than to have all of their employees operating for the maximum time at their optimum productiveness?

Now I know that the ideal just expressed is at odds with what actually goes on in organisations. But It is an ideal that is often less soft-headed than the practice.

What is really meant when people are said to be on a career plateau is usually that senior management not only thinks they are unfit to rise farther up the pecking order, but wants to appoint another person to the perch they occupy now. Hence the implication is that their most marked achievement in their present job is *to* block the promotion of somebody else thought worthier.

If that is true, then (unless they have broken down physically or mentally, and so are in need not of career counsel but remedial treatment) it is unlikely that they can be doing the best work they are capable of. Even if they were, the fault would belong less to them than to the bosses who put them in their present job in the first place.

Either way, the moral seems plain. You show me an organisation which calls in outplacement consultants to deal with personal-fit or career-plateau problems, and I'll show you a set of senior managers who are failing to make the best use of their human resources. And it is they rather than people on the lower plateaus who are in need of counselling.

In many cases it might most usefully be of the psychiatric type. For the root of the trouble seems to be a delusion on top executives' part that an organisation's success depends more on folk deemed fit to fly higher than on those already fulfilling their maximum potential on the ground.

Space race

WHILE we're on about high-flyers, the announcement that the hunt for Britain's first astronaut has been narrowed down to just two of the initial 13,000 applicants, may have reminded some readers of an objection this column raised when the search began in July.

What miffed me was the arbitrary rule that nobody over 40 would be considered. I pinned the blame on the Antequera company dealing with the British end of the UK-Soviet space project, and its recruitment consultants MSL International.

I have since learned from Air Vice-Marshal Peter Howard, who headed the selection process, that neither of them was the main culprit. They were ready to consider people aged up to 45, he said – which is at least a bit better. It was the Russians who insisted that the limit must be 40.

Perhaps, now Messrs Bush and Gorbachev have agreed that the cold war is over, the Soviets might wisely follow the Americans in banning peremptory age discrimination. So, for that matter, might the British and all the rest of the still purblind nations.

As far as other sorts of prejudice go, feminists can hardly complain. The choice of Miss Helen Sharman and Major Timothy Mace as the final pair means women's representation has improved. They made up barely a third of the initial entrants.

Nevertheless there is a factor which should cause concern. Since in the first instance applications were made by telephone and the recruiters asked only a *few* questions about height and education as well as age, nothing is known about the broader background of all 13,000 who initially applied.

But far more data was gathered on the nearly 6,000 of them thought suitable to go through to the second stage of the process. And Air Vice-Marshal Howard tells me that not a single one of them was coloured.

Property

RECRUITER Paul Werth of Kay Executive Search seeks a property investment and development director for a London company he may not name. He promises to honour applicants' requests not to be identified as yet to his client.

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Interested applicants should contact **Arabella Goodford or Kate Griffiths** on **01-831 2000** or write to them at **Michael Page City, 39-41 Parker Street, London WC2B 5LH.**

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هكذا من الأصل

ACCOUNTANCY COLUMN

Setting a standard for the value of goodwill

By Graham Stacy and David Tweedie

COMPANY law and accounting standards allow UK companies to choose between two fundamentally different methods of accounting for goodwill. The Accounting Standards Committee (ASC) is considering proposals that would ban one of the two methods, the instant write-off against reserves, and mandate the other, the systematic amortisation of goodwill through profit and loss account. However, there is a third alternative.

The generally accepted definition of goodwill is "the difference between the value of a business as a whole and the aggregate of the fair values of its separable net assets." There may be different interpretations of some of those words but they do not affect the broader discussion of how to account for goodwill itself.

The essential feature about goodwill is that it is related to the value of a business as a whole. It is not a tangible asset that can be separated from the business and valued individually like buildings or plant.

Tangible fixed assets have a physical substance that demonstrably wears out and has to be replaced. But the value of a business, or its goodwill, does not necessarily wear out and can be maintained or even enhanced by good business management.

Few would criticise the ASC's proposed ban of the immediate write-off of goodwill against reserves. This treatment leads to the wholly unrealistic position of the net assets of a group of companies falling immediately after an investment in a subsidiary has been made.

Despite the fact that the investment may be applauded in financial circles, the accounts show that part of the shareholders funds has vanished.

The alternative treatment of amortising goodwill systematically through the profit and loss account has many supporters. It is the method required in the US and proposed in a draft from the International Accounting Standards Committee.

The arguments in favour of this approach may appear at first sight to be reasonable.

The goodwill element in a purchase price represents the acquisition of future profits and it is "used up" or wears out as those profits are earned, so it should be amortised and charged against those profits.

But this argument does not stand up to close examination and certainly does not result in a meaningful measure of profit. The investment by a group holding company in a newly-acquired subsidiary is normally included in the holding company's balance sheet at cost.

This cost may well reflect an element of goodwill in the underlying subsidiary, supported by anticipated future earnings taken into account in determining the purchase price of the shares.

When subsequently dividends are received these are not normally regarded as a realisation of the original investment but a confirmation of its continuing value.

The ASC is, quite rightly, not proposing that the portion of a holding company's investment in subsidiaries that reflects the goodwill element should be systematically written down as dividends are received.

But if goodwill is to be amortised in the group accounts there will be an inconsistency of approach between the holding company and the group.

Indeed, with the increasing significance of goodwill as service-related businesses become more common, we could have many groups with a lower net asset value than their group holding company as goodwill is written down in the group accounts but not in the accounts of the holding company.

Apart from producing an inconsistency in the accounting treatment between holding company and group, amortisation produces a distorted picture in the group profit and loss account.

The solution is that goodwill should remain as a permanent asset in the balance sheet until its value is seen to have permanently diminished

Those in favour of amortisation may agree that the total value of goodwill is not diminishing, but they argue that what is happening is that the goodwill capitalised at the date of acquisition of a subsidiary does diminish over time and is replaced by self-generated goodwill.

As we do not recognise self-generated, as opposed to purchased, goodwill it is argued that it is wrong to allow the goodwill originally capitalised to remain on the balance sheet because eventually it will be represented by self-generated goodwill.

This theoretical argument results in double-counting in the profit and loss account – in other words, two charges: the amortisation of purchased goodwill and the cost of replacing it with self-generated goodwill. The distinction between purchased goodwill and self-generated goodwill is an artificial one which makes no sense to preparers or users of accounts. If goodwill acquired is maintained by the normal operation of the business there is no point in amortising it.

The distorting effect of amortisation onprice-earnings ratios is clear. Suppose a company A begins with capital of £1,500 and with that capital buys a business which owns £1,000-worth of tangible assets and has a profit of £90 per annum, ie a return of 6 per cent and a p/e of 16.7. If the goodwill of £500 is written off over 20 years, at £25 per annum, profit amounts to £65 per annum.

How then should the user of the parent company's accounts value the business now? If the p/e ratio of 16.7 were to be applied to £65 the answer is £1,083.

But if the business was thought to be worth £1,500 and no adverse changes have occurred, surely the user should not have to apply an increased p/e of 23.1 to get the right value.

The informed reader would add back any charge for goodwill amortisation before drawing any conclusions about profitability or value.

Unfortunately not everyone realises that the goodwill amortisation on profit and loss accounts has such a distorting effect.

The solution is that goodwill should remain as a permanent asset in the balance sheet until its value is seen to have permanently diminished. To do otherwise would fail to reflect reality in financial statements and is leading to accounting by rote rather than by reason.

This approach would require the exercise of judgment when considering whether or not there has been permanent impairment – but this judgment is no different from that required by the amortisation approach. Impairment may occur at any time throughout the amortisation period, which could be 20 years or more.

The forthcoming Companies Act will require consolidation goodwill to be written off over a period not exceeding its useful economic life.

This does not create an impenetrable legal barrier.

A reasonable interpretation of useful economic life and a proper recognition of residual values should enable us to carry goodwill in balance sheets without amortisation for as long as there is no permanent impairment in its value.

If the DTI and the ASC do not accept this approach UK company accounts will continue to fail to reflect the reality of a group's financing position and performance.

Graham Stacy is a partner in Price Waterhouse and a member of the Accounting Standards Committee.

David Tweedie is a partner in KPMG Peat Marwick McLintock, chairman of the Auditing Practices Committee and visiting Professor of Accounting at the University of Bristol.

ACCOUNTANCY APPOINTMENTS

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H S Muirhead Esq., Company Secretary,
Anglo United plc,
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Finance Controller

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This £12m turnover private heavy engineering organisation based in West Yorkshire now have an opportunity for a qualified individual to control the financial aspects of this business. Reporting to the board of directors, you will be responsible for management accounts, financial accounts and the cost accounting functions of this growing organisation. Aged 30-40 years you will be ACMA qualified with experience of an engineering based organisation. In addition your experience will embrace computer systems development, standard costing, stock and material control systems. On the personal front you are likely to be an instigator with flair and vision in this role which demands a strong commercial approach to finance together with strategic input to the company direction. Rewards and the prospect for advancement are excellent as are the conditions of employment.

J. Bewley, Hoggett Bowers plc, *Bank House, 100 Queen Street,*
SHEFFIELD, *S1 2DW*, 0742-731241, Fax: 0742-731331. *Ref: S11023/FT.*

These positions are open to male or female candidates. Please send c.v. or telephone for a Personal History Form to the relevant office, quoting the appropriate reference.

BIRMINGHAM, BRISTOL, CAMBRIDGE, CARDIFF, EDINBURGH, GLASGOW, LEEDS, LONDON, MANCHESTER, NEWCASTLE, NOTTINGHAM, ST ALBANS, SHEFFIELD, WINDSOR and EUROPE

New Strategic Role

HEAD OF OPERATIONS AUDIT

Major UK Construction Group

Mid-Cheshire base — **£27-30,000 package + car + benefits**

Having achieved rapid growth in the last few years, our client Group has an enviable reputation for success in a highly competitive and commercial marketplace. They are now pushing ahead strongly with a policy of diversification into new areas of activity. In order to exercise tighter control over operational and financial systems of these increasingly varied business interests, this new position has been created for an experienced professional to join the top financial team at its rural Head Office.

In this important new role, you will design and implement a strategic review programme to examine key operational functions within the Group, highlighting major areas for attention and directing your multi-disciplined team as necessary. Your recommendations will form the focus for specific executive action. In addition, your team will undertake special investigative projects and appraisals, sometimes sensitive in nature.

The scope of the role will necessitate travel primarily in the North West, but also further afield within the UK.

The role demands a dedicated qualified accountant with outstanding drive and determination. Sound technical skills and broad systems experience are important, and may have been gained within the profession in the first instance. Above all, you will be able to adopt a pragmatic and thoroughly commercial approach.

This is an exceptional opportunity to exercise your professional expertise, including organisational ability, within a substantial Group.

Please apply to our Manchester Office, where your contacts are *Audrey Shaw* or *Dudley Harrop*. Ref MX147.

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ASB RECRUITMENT LTD
Amethyst House, Spring Gardens
Manchester M2 1EA
Tel: 061-834 0618 Fax: 061-832 9123
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FIRST TECHNOLOGY PLC

Group Financial Accountant

Chertsey, Surrey — **to £27,000 + FX Car**

First Technology Plc is a fast expanding international group with activities ranging from the styling and designing of cars to the manufacture of sophisticated fire and security systems. Each company within the group operates at the leading edge of its chosen technology, and many are market leaders.

Substantial growth in recent years, achieved through a combination of fostered organic expansion and carefully chosen acquisitions, has created a post within the Head Office. As one of a four member general management team, you will be responsible for:

* reporting of all consolidated financial and management information to the Board
* consolidation and reporting of all budgets and forecasts
* continual review of all management reporting systems
* assisting senior management in the evaluation of capital and business acquisition proposals and making recommendations thereon
* acting as the controller for one of the subsidiaries.

The successful candidate will be aged 25-32, a qualified ACA/ACMA/ACCA, ideally with post qualification experience within a public quoted company. Essential personal qualities will include a disciplined approach, well developed interpersonal skills, as well as the adaptability and flexibility to succeed within an informal but professional environment.

Interested candidates should submit their CVs to Sajid Baloch MBA, at Michael Page Finance, Cygnet House, 45-47 High Street, Leatherhead, Surrey KT22 8AG, or telephone him on (0372) 375661. Fax (0372) 370101.

MP
Michael Page Finance
International Recruitment Consultants

Financial Controller

Berkshire **c£33,000 + Car**

Our client specialises in the marketing and distribution of high quality consumer electronics products and with a strong multinational base is brand leader in its field. Continuing growth and diversification have resulted in a current turnover of £50 million in the UK.

Reporting to and working closely with the UK Managing Director, you will assume full responsibility for the financial control of the business including planning, budgeting, management reporting, cash management and computer systems development.

The successful candidate will be a qualified accountant (ACMA, ACA, ACCA) demonstrating a high level of technical ability together with assertive interpersonal and management skills. Previous exposure to a multinational environment would be preferred.

Candidates with the potential to succeed in this dynamic organisation will be offered an attractive remuneration package together with generous relocation expenses where appropriate.

Applicants who believe they can match our client's demand should submit their curriculum vitae to Paul Boardman ACMA at Michael Page Finance,
Windsor Bridge House,
1 Brocas Street, Eton,
Berkshire SL4 6BW.

Michael Page Finance
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham
Manchester Leeds Newcastle-upon-Tyne Glasgow & Worldwide

International Auditor

South Hertfordshire **to £30,000 + Car**

Diversey (Europe) Limited is the European subsidiary of a major Canadian corporation with a turnover in excess of $1 billion and is a worldwide supplier of cleaning systems and products. Reporting directly to the Director of Finance – Europe, based at its European Headquarters in Watford, you will be responsible for:

* development of the audit function
* special investigations (reporting systems, pricing, treasury management, acquisitions, etc)
* assisting with the preparation of financial and management reports, regional plans and budgets.

This high profile role will involve liaison with senior management and extensive travel – 50-75%, throughout Europe (eg France, Spain, Italy). In addition to good interpersonal skills, candidates should be qualified ACA, ACMA or ACCA, aged 25-35 and able to demonstrate a proven track record of audit experience. Language skills, particularly French, although not a prerequisite would be a considerable advantage.

Interested candidates should write, enclosing a full CV, to Helen Wallis at Michael Page Finance,
Centurion House, 136-142 London Road,
St. Albans, Herts AL1 1SA. Alternatively, contact her on 0727 65813.

Michael Page Finance
International Recruitment Consultants
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PROPERTY ENTERPRISE MANAGERS LTD.

THE CREATORS OF THE PROPERTY ENTERPRISE TRUST

RECENTLY QUALIFIED CHARTERED ACCOUNTANT WITH MARKETING FLAIR

LONDON £30,000 + Bonus + Car

This unique opportunity is to work with the marketing team of this multi-million pound financial services organisation, market leaders in their field, renowned for the innovative development of tax effective investment products.

Business growth opportunities are immense and the Executive Directors are seeking to appoint another Chartered Accountant to provide advice and support services to Senior Advisors in Accountancy firms, Directors of companies and independent advisors.

The successful candidate will probably be in their mid to late twenties, either from practice or with commercial experience. The role will appeal to a person who would like to develop their marketing skills and accordingly must have good communication skills, personal presentation and the confidence to handle high profile clients.

The rewards include a salary of £30,000 plus a performance related bonus and can include a car when required.

For further information in strict confidence, please contact Raj Munde A.C.A. on 01-240 1040 or forward a detailed résumé to our London office quoting reference no. 9/722, Morgan and Banks Search and Selection Plc, 114 St. Martin's Lane, London WC2N 4AZ. Fax: 01-240 1952.

Morgan & Banks

LONDON WASHINGTON SYDNEY AUCKLAND

FINANCIAL STRATEGY

Central London

c. £45,000 + Substantial Benefits

Our client, a major US corporation, operates worldwide in FMCG and boasts revenues approaching $3 billion.

The corporation has taken a proactive stance to the formation of a single European market and has made substantial funds available for investment to expand this significant area of activity.

London will be the centre of all European business initiation and reporting directly to the Managing Director, the incumbent will *evaluate and investigate potential* acquisition targets as part of a team of business professionals committed to rapid growth in the next two years. Other vital responsibilities will include business strategy, new product evaluation, marketing/advertising policy and organisational issues.

This key role requires the intellectual and perceptive attributes of an entrepreneur able to cut through normal reporting issues to identify each target company's potential and the consequences of instigating change.

The successful candidate, aged to 40, will be a qualified accountant, lawyer or MBA/management consultant with a broad range of corporate finance experience gained in commerce, industry, banking or practice. Other essential attributes include the personality to negotiate with executives at the highest level, superb personal presence and a sharp intellect.

With the support of a small team, there will be significant European travel. The position offers a first-rate performance-related package and unique international exposure.

Interested candidates should write enclosing curriculum vitae to ***Michael Herst*** *or* ***Patrick Porter*** *quoting Ref: MH810.*

HARRISON WILLIS
FINANCIAL RECRUITMENT CONSULTANTS
Cardinal House, 39-40 Albemarle St., London W1X 3FD. Tel: 01-629 4463.

MANAGEMENT CONSULTANT

London N10 **c£25,000+Car+Benefits**

Allied Lyons
A Great British Company

Ind Coope Taylor Walker is a highly successful subsidiary of Allied Breweries Ltd., the brewing and retailing division of Allied-Lyons Plc. They are seeking to appoint a Management Accountant to head up the management accounting team. The Management Accountant is responsible for the financial evaluation of potential acquisitions, developments and major projects as well as financial planning, budgeting and provision of monthly information to the Board. This is an excellent opportunity for a Qualified Accountant to join an expanding company and become a key member of the management team.

For further information contact, Accountancy Personnel, 1st Floor, 32 North End Road, Golders Green, London NW11 7PT. Tel: 01-458 0898

STEP IN THE RIGHT DIRECTION

NEVILLE RUSSELL
Chartered Accountants

Essex **to £23,000**

Newly or recently qualified and looking for a rewarding career with a progressive practice?
This leading firm of accountants with offices throughout the country needs lively, commercially minded accountants keen to take responsibility for an expanding portfolio of new and developing companies. This calls for a high degree of professional commitment to meet a demanding and varied range of financial briefs.
A steady programme of expansion; means career prospects are excellent for the right people.

Contact: Accountancy Personnel, New Cranbrook House, 61 Cranbrook Road, Ilford, Essex IG1 4PG Tel: 01-478 7725

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N.E. KENT c£28,500

Production Accountant

This world market leader with massive resources, operational network and product base offers a hands on role with a difference. Instead of accountants, your key working colleagues will be technical experts and support staff of widely varying seniority, and your job satisfaction will come from seeing end-products developed and distributed from scratch. An excellent package is guaranteed.
Ref: 61315

Contact the Manager: 28 High St, Bromley 01-290 6688
Fax: 01-464 6696

NR WINDSOR c£27,000 + Car

Financial Accountant

This Pan-European financial services organisation, whose client base is heavily blue chip, offers a management opportunity that is a good medium term career move. Full control of financial accounting will be supplemented by a significant contribution in the areas of management reporting and analysis. Overall, a rare chance to develop financial services expertise while avoiding the drudge of city commuting. Ref: 662311A8.

Contact the Manager: 9 Peascod Street, Windsor 0753 851447
Fax: 0753 850899

Post Qualification Experience – send your CV or phone the appropriate Manager or our Specialist PQE Career Advisers on 01-256 6496 (24 hour answering service) for an application form now.
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ACCOUNTING MANAGER

Greater Ipswich Area **neg to £25K + bonus**

Our client, a well-established engineering company with a good growth record based on quality products, wishes to appoint an Accounting Manager/Company Secretary, reporting to the Managing Director, to be responsible for Systems and Procedures, Reporting Procedures and Company Secretarial Duties.

The successful candidate will be a qualified accountant (CA, CCA or CMA) with experience of manufacturing industry and, ideally, of medium-sized companies. He or she will have excellent communication skills with the initiative and presence appropriate to a senior management appointment in a company of high repute. Age is not important, but this could be an excellent career move for a young accountant.

Salary negotiable to £25K, plus bonus. Car. Pension. Medical insurance. Relocation assistance.

For further details please write to Mrs. Pat Berry, 3i Consultants Limited, 3 The Billings, Walnut Tree Close, Guildford, Surrey GU1 4UL, quoting ref: TS/887.

3i Consultants Ltd

3i A WEALTH OF EXPERIENCE

BUSINESS DEVELOPMENT EXECUTIVE

Midlands **ACA/AIB** **c£30,000 + Benefits**

Our client, a major force in international corporate banking, has been developing a strong client base in the Midlands. With a successful track record and ambitious growth plans the bank is looking for an individual to develop business and investment opportunities within the Midlands.

Specifically the role will involve identifying and evaluating commercial opportunities, generating and assessing proposals and negotiating and structuring finance packages.

The successful candidate will need to be a financially astute self-starter with the ability to work under minimum supervision. As negotiations are likely to be at main board level, the presence and confidence to deal with senior management is essential.

The incumbent is likely to be 27 to 35 years old and have a background in investment or international corporate banking, or alternatively within a "big 8" firm of Chartered Accountants, preferably within corporate finance. Although a detailed knowledge of banking instruments is not a prerequisite, a desire to understand and develop business in the Midlands is essential.

The package includes a high base salary and all the benefits associated with an international bank. Relocation assistance will be available if necessary.

Interested applicants should call Mark Gilbert ACA on 021-200 5800 (8am-8pm) or write, enclosing details, to the address below.

ROBERT • WALTERS • ASSOCIATES
RECRUITMENT CONSULTANTS
Berwick House 35 Livery Street Birmingham B3 2PB
Telephone: 021-200 5800

هكذا من الأصل

Schroder Ventures

Increasing your chances

Schroder Ventures has an enviable reputation as one of the fastest growing, most innovative and experienced venture capital teams in the market. There is a clear commitment to high standards in its operations which is reflected throughout its recruitment philosophy. The company now seeks to recruit an additional executive to join the existing team of exceptionally high calibre individuals.

Venture Capital

ACA/ACMA

London

c£40,000 + Bonus

Operating within an existing team the individual will contribute to the success of companies, from small start-ups to major management buy-outs. This will involve the evaluation of business plans, appraisal of management and analysis of the market place in order to assess the potential investment for its commercial viability.

Candidates will have gained first class academic qualifications in a science or engineering discipline and will have had practical experience in a line capacity within an engineering or industrial organisation. In addition individuals should be qualified accountants with at least five years' experience, of which, at most, two will have been as an auditor and a further three in a commercial accounting role. Proven managerial experience and fluency in German or French would be a distinct advantage.

As important as qualifications and experience is a strong commercial outlook. In addition, the ability to develop relationships and communicate at all levels is essential. As a result these positions offer a highly competitive remuneration package with substantial bonus potential, a car and non-contributory pension.

Please contact our retained advisor Penny Beamish on 01-831 2000 or write to her at Michael Page City, 39-41 Parker Street, London WC2B 5LH.

MP Michael Page City
International Recruitment Consultants
London Paris Amsterdam Brussels Sydney

Chief Accountant

London **c £20,000+bonus**

Our client is the International Operations of a Canadian Group involved in the merchandising side of the entertainment industry. With a current turnover in excess of £18 million, the International Operations organisation now requires a Chief Accountant.

Reporting directly to the Director of Finance and Administration, the successful candidate will have two accounting clerks and be responsible for the supervision and direction of all financial reporting for operations. Duties will include maintaining personnel records and preparing payrolls, assisting in the co-ordination of strategic plans and annual business plans, and maintaining and implementing computer systems.

Working in a dynamic environment, this position offers an exciting opportunity for the right person to develop into a more senior role. Ideally aged 23 - 28 and currently studying for ACA /ACCA, the ideal candidate will have 3 - 5 years experience in a similar business environment.

If you believe you have the interest and the qualifications to meet this exciting opportunity, please send your CV and a covering letter (including day-time telephone number), quoting ref: FT127 to: J. David Preston

ROBSONRHODES
Chartered Accountants
Management Consultancy Division
186 City Road, London EC1V 2NU

Financial Controller

Hampshire Coast – Leisure

c£28,000 + car

Our client is a highly regarded major UK leisure company and a quoted plc. As a direct result of expansion and growth this new appointment is to be made at the centre of a key £200m turnover division.

Reporting to the Divisional Finance Director the successful applicant will be responsible for all matters relating to financial and management accounting for the division. The role will encompass the review and analysis of data, the improvement of quality and speed of financial information and provide strong support to the Finance Director in determining future systems stategy and business development opportunities.

Candidates will be qualified accountants, age indicator 27-32, who can bring sound technical expertise to the division coupled with a commercial outlook. Strong communication skills are essential as this new role will require considerable liaison with the senior management of the Division and to contribute as a member of that team.

This is an excellent opportunity to join a lively, expanding company and full relocation to this attractive part of the south coast will be provided where appropriate.

Please write or telephone enclosing a full resume quoting ref. 350 to:
Philip Cartwright FCMA
97 Jermyn Street
London SW1Y 6JE
Tel: 01-839 4572

Cartwright Hopkins
FINANCIAL SELECTION AND SEARCH

FINANCIAL DIRECTOR

Our client, part of a major international plc. is a successful and expanding *company manufacturing chemical and polymer products for the building* industry. Due to internal promotion an opportunity exists for a qualified accountant to head up the accounting and administration functions based in the Northern Home Counties.

Probably aged 30-45, the successful applicant must have sound financial and commercial experience. Proven organisational and people management skills are essential. Experience of the selection and application of mid range computing systems is highly desirable.

£35,000 + BONUS & CAR

In addition to a competitive salary, the company offers a performance related bonus, family BUPA and an excellent pension scheme.

This is an outstanding opportunity for the right person to make a significant contribution to the control and strategic direction of this successful and profitable company, whilst developing their career with a highly progressive group.

Write today with full career details to Syd Halstead at Handley-Walker Group, 32A Weymouth Street, London W1N 3FA and tell him why you *should be considered for this challenging appointment.*

HUMAN RESOURCE DEVELOPMENT

A Member of the Handley-Walker Group plc

GROUP TREASURER

North-West **c£35,000 + bonus + car + executive benefits**

This high-profile, fast-moving Group of companies operates throughout the UK, with headquarters in the North-West. It manufactures for an impressive range of "own label" customers, as well as having its own portfolio of leading brand names, and is pursuing an ambitious development programme to increase efficiency and profitability. The opportunity has now arisen for a high-calibre treasury professional to join the small Head Office team.

Management of cash resources and of the Group's increasing foreign exchange exposures are the key areas. In both, there is scope for the introduction of more sophisticated control systems, which will include liaison and data exchange throughout a complex structure of business units. In addition, the Group Treasurer will be responsible for the funding arrangements *of the Group, including maintaining banking relations at senior levels.*

Candidates must have sound experience in corporate treasury work, supported by a keen awareness of "bottom-line" fundamentals. An open and communicative personal style will be welcome, together with the confidence and "presence" that will carry weight in external dealings. The Group Treasurer will be working side-by-side with the most senior executives within the organisation and consequently will be closely involved in the planned development of the Group.

Please apply to our Manchester Office where your contacts are Dudley Harrop and Audrey Shaw. **MX149**

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ASB RECRUITMENT LTD

Amethyst House, Spring Gardens, Manchester M2 1EA. Tel: 061-834 0618
Fax: 061-832 9123

Also at: Birmingham, Leeds, Liverpool, Nottingham and Swindon

A Division of ASB Barnett Kleinings Plc

FINANCE DIRECTOR

£24000-25000pa plus car

The Shaftesbury Society is a Christian organisation involved with disadvantaged people on a national basis. Due to expansion the key role of Finance Director has been created at the Head Office in Raynes Park, S W London.

The successful candidate will be a qualified accountant with experience in senior financial management. S/he will have proven leadership qualities, initiative, clarity of mind together with an ability to fulfil some functions with a 'hands on' approach. The ability to extend and enhance the computer system would be an advantage.

The post will be responsible to the Chief Executive and will manage 6/7 staff including the Personnel function.

In the first instance, applicants should apply with a full CV to Paul Mitchell, Shaftesbury House, 2a Amity Grove, Raynes Park, London, SW20 0LH. Telephone: 01 946 6635. Closing date 3.1.90. Interview date 26.1.90.

THE Shaftesbury SOCIETY

CARING IN THE NAME OF CHRIST

A Finance Director who knows the answers

South Midlands **c£55,000 + car + benefits**

Our client, established for over 100 years and a leading supplier to the fast food and catering trades, needs answers from an outstanding Finance Director whose financial expertise *complements excellent personal skills and who* possesses that rare talent for identifying imaginative, but practical solutions.

Consider what our client offers. Challenge, in a word. Under new ownership the past twelve months has seen financial restructuring, substantial expansion and the recruitment of a 'heavyweight' *management team.*

Plans incorporate growth by acquisition and will include you. They offer the opportunity to play a key role in the Group Management Team as it manages the growth and to help implement those answers – by asking the right questions. You'll investigate new acquisitions, analyse company performance and present effective management *information.*

Joining will not be easy. You'll need to be a qualified accountant, probably aged between 30 and 40, with a high flier's track record – ideally including a period in consultancy – and excellent personal skills.

An impressive background indeed, but essential to cope with the demanding work. That's why the remuneration package is impressive (competitive salary, *relocation, bonus, BUPA, pension). Though* we know that the challenge of the position will be your greatest reward.

If you're ready to provide answers and and enjoy asking questions write now to:
A.L. Bott, Managing Director,
Anderson Smith Management Personnel Ltd.
Anderson House, 50 Bridge Street,
Northampton NN1 1PA.
Telephone 0604 34365
(24 hour answering service)

Anderson Smith
RECRUITMENT, SELECTION & SEARCH
LONDON, NOTTINGHAM, NORTHAMPTON
AS

should start asking questions

Financial Controller

London **c. £40,000 + bonus + car**

Highly profitable plc with an impressive growth record in the leisure industry seeks a Financial Controller with a wide ranging remit including the treasury function. This key role provides the opportunity to play an active part in the development of the Company's business plans at a critical time. Preferred age 35 — 42.

Candidates will be qualified accountants with proven experience of 'hands on' control, systems improvement and cash management in a substantial profit centre in the leisure or fmcg sectors. Highly developed technical, man-management and inter-personal skills are required. The ability to adapt to change with enthusiasm and determination in an informal, energetic, results-orientated environment is also essential.

For fuller details write in confidence to W T Agar at JC&P, 104 Marylebone Lane, London W1M 5FU, demonstrating your relevance clearly and quoting 2309/FT.

John Courtis & Partners
Search and Selection

HIGH PROFILE CORPORATE ACCOUNTANT

c£24,000 + CAR + EXCELLENT BENEFITS **ESSEX**

ESSEX WATER COMPANY, a privately owned multi-million pound enterprise, is committed to positive implementation of change, maximising the exciting developments occurring within the industry.

This newly created role will appeal to an enthusiastic, recently qualified Accountant who wishes to gain exposure to the highest level of management within an extremely commercialised environment.

The key objective will be to provide the Director General and senior level management with the information, advice and interpretation required for the new regulatory requirements.

Excellent communication skills and the vision to take a strategic view will be essential, as is the ability to develop computerised planning models. A generous remuneration package reflects the importance of the role.

Write with full C.V. quoting Ref. FT/HA, to: CAROLYN CLARKE, PER, 1 High Street, Chelmsford CM1 1YN or phone (0245) 260234 to discuss.

PER RECRUITMENT CONSULTANCY

FINANCIAL DIRECTOR

Rural Midlands **£40,000 + bonus + car**

This acquisitive, expanding business is a leading player in highly competitive consumer markets which it accesses via the multiple retailers. Part of a household name public group, the division has a turnover of £120m and is made up of several profit centres. Its organic growth and acquisition plans ensure excellent short term opportunities for additional responsibility and status.

The Financial Director is responsible for a centralised accounting, control and financial management function comprising 40 staff. Apart from managing these activities, the person appointed will work very closely with profit centre managers, providing planning and analysis to focus their attention on performance, customer profitability and production efficiency. He or she will play a key part in managing change in this successful, dynamic business.

The person sought must be capable of developing quickly into a larger role. Consequently, candidates must demonstrate a track record of increasing responsibility and a breadth of financial management experience gained in blue chip, preferably FMCG, companies. You must have good communications skills, commercial judgement and a real commitment to your own and your company's goals. A qualified accountant, you are likely to be in your early/mid thirties.

Please reply in confidence, giving concise career, personal and salary details to Kate Edwards, quoting Ref. L470 at Grosvenor Stewart Executive Search, 58 St. James's Street, London SW1A 1LD. (Tel:01-493 1045).

ABU DHABI NATIONAL OIL COMPANY

ADNOC is one of the major oil companies in the World controlling the Exploration, Production and Processing of Oil, Gas and Associated Products in Abu Dhabi and the Marketing of ADNOC's hydrocarbon products.

The Company wishes to recruit suitably qualified candidates for the following positions:

SENIOR SYSTEMS ANALYSTS (TWO POSITIONS)
Tax-Free Salary US$ 33,000 - $ 40,500 p.a + Benefits

To analyse and recommend improved, simplified operating procedures, practices and accounting policies. Formulates and documents financial policies and flow of information. Develops guidelines and procedures for using financial systems. Develops forms in support of approved methods and procedures. Recommends and documents Management information procedures and Financial Limits of Authorization.

The candidate should have a University Degree either in Finance/Accounting (preferably CPA, ACA, ACCA) with a minimum of 8 years relevant working experience preferably with oil or related industries. Excellent English Language skills is essential. Experience of computerised acounting and information systems are preferable.

ADNOC's benefits include family accommodation, furniture allowance, medical care, 42 days annual leave, passage for eligible dependents, educational assistance for eligible children and car purchase loan.

Interested candidates are invited to forward their detailed applications together with photocopies of their education and experience certificates, within three weeks from the date hereof, to:

THE HUMAN RESOURCES DIVISION MANAGER
PERSONNEL DIRECTORATE
ABU DHABI NATIONAL OIL COMPANY (ADNOC)
P.O. BOX 898 - ABU DHABI - U.A.E.

FINANCIAL ACCOUNTANT

SUBSTANTIAL ASSETS, PHENOMENAL SALES – COULD YOUR SKILLS MANAGE IT?

Excellent salary + car + benefits — **Swindon**

Motorola is one of the world's most successful and fastest growing companies in the competitive cellular communications industry. With an innovative high technology product range, a progressive outlook and an advanced business environment, the scope for future development is truly unparalleled.

In recent months, our Cellular Infrastructure Division at Swindon has seen a substantial increase in assets and significant growth. In fact, as part of our policy of organic development, our current Financial Accounting Manager has been promoted. To replace him, you'll need to demonstrate the technical abilities and innovative approach necessary to further improve our outstanding business record.

Your focus will be the management of our Financial Accounting services team – key responsibilities will include monthly management/financial accounting, preparation of reports for external bodies, internal control procedures and management of substantial fixed assets and treasury items.

To succeed, you will be a Chartered Accountant with several years' post-qualification experience at Chief Accountant/Financial Manager level preferably within an electronics environment. An established flair for man management and sound knowledge of US reporting formats will be essential.

In addition to an excellent remuneration package, you'll benefit from the opportunity to play an influential role in the development and management of a rapidly growing business.

If you have the financial skills to make a success of this challenge, please contact The Personnel Department on (0793) 541541 or write to them at Motorola Ltd, Cellular Infrastructure Division, 16 Euro Way, Blagrove, Swindon, Wilts SN5 8YW. Please quote ref. no. FT21.

MOTOROLA LTD.

Financial Controller

c £30,000 Package, Car, Benefits

This highly successful company is part of a major Swedish industrial multinational with a turnover in excess of £2billion. Continued growth and restructuring has created this exciting opportunity to join the senior management team at our client's Head Office in Warwickshire.
The company itself has a turnover of £10m and is involved in the field of mineral processing. The post demands that you adopt a thorough 'hands on' approach to the financial affairs of the company at all levels. Candidates must also be prepared to play an important management role in the future development of the organisation.
You will be a qualified accountant with good commercial skills. A practical approach to business problems together with the enthusiasm and ability to contribute to a highly committed team are essential requirements. Your relaxed management style will reflect your excellent interpersonal skills.
The successful candidate will have every opportunity to progress within the group, limited only by their own ambition and ability.

Male or female candidates should submit in confidence a comprehensive c.v., or telephone for a Personal History Form to, *J. Jenkins*, Hoggett Bowers plc, *13 Frederick Road, Edgbaston*, BIRMINGHAM, *B15 1JD*, 021-455 7575, Fax: 021-454 2338, quoting *Ref: B23007/FT*.

Hoggett Bowers

BIRMINGHAM, BRISTOL, CAMBRIDGE, CARDIFF, EDINBURGH, GLASGOW, LEEDS, LONDON, MANCHESTER, NEWCASTLE, NOTTINGHAM, ST ALBANS, SHEFFIELD, WINDSOR and EUROPE

Management Accountant

London, c £30,000 inc, Bonus, Car

Our client is one of the UK's leading motor vehicle retailing and distribution groups with a turnover in excess of £220 million through 30 locations, encompassing 10 major quality and volume franchises.
One of their premier Central London dealerships holds a major volume franchise for a full range of vehicles. Equally important to the dealership in terms of both revenue and profitability are the substantial Used Car, Service and Parts operations.
They are now seeking to appoint a Management Accountant who will be responsible for heading-up a small Accounting Department. The successful candidate will have the ability to produce timely financial and management information on all aspects of the business and will be a key member of the dealership management team.
Applicants, aged between 25 and 32, should be qualified Accountants with a minimum of 2 years post-qualification experience, preferably gained within the motor industry or allied trades. A working knowledge of computer-based management systems would be a distinct advantage.
The rewards package includes a profit-related salary, the use of a company car, BUPA and a contributory pension scheme.
Male or female candidates should submit in confidence a comprehensive c.v. or telephone for a Personal History Form to, C. Grant, Hoggett Bowers Advertising, 1/2 Hanover Street, LONDON, W1R 9WB, 01-495 4595, Fax: 01-495 1037.

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SCHOOL OF ORIENTAL AND AFRICAN STUDIES
University of London
LECTURESHIP IN ECONOMICS WITH REFERENCE TO AFRICA

Applications are invited from suitably qualified candidates who should have a higher degree in economics and a commitment to excellence in teaching. A proven record in research on Africa, with preferably, an expertise in western or southern Africa is necessary; competence in one of the languages of the region is desirable. The successful candidate will be expected to teach undergraduate and masters' courses on the economies of Africa, to supervise research students, and participate in the disciplinary teaching of the Department. Disciplinary teaching specialisation should include the areas of Quantitative Methods and/or Elementary and Intermediate Economic Principles.

The appointment will date from 1 October 1990, or as soon thereafter as possible. Depending on qualifications and experience, the appointment will be made on the Lecturer A scale (£10,458-£15,372) or Lecturer B scale (£16,014-£20,469), plus London Allowance of £1,650. Membership of the Universities' Superannuation Scheme is invited.

Application forms are available from The Secretary, School of Oriental and African Studies, Thornhaugh Street, Russell Square, London, WC1H 0XG. Applicants resident abroad may apply direct to the Secretary in letter form supported by a full curriculum vitae and the names and addresses of three referees. All applications should be submitted by 28 February 1990.

SCHOOL OF ORIENTAL AND AFRICAN STUDIES
University of London
LECTURESHIP IN THE ECONOMICS OF THE NEAR AND MIDDLE EAST

Applications are invited from suitably qualified candidates for the above post at the School. Candidates should have a higher degree in economics and a commitment to excellence in teaching. A proven record in research on the Near and Middle East and competence in one or more languages of the region are necessary. The successful candidate will be expected to teach undergraduate and masters' courses on the economies of the Near and Middle East, supervise research students, and participate in the disciplinary teaching of the Department. Disciplinary teaching specialisation should include the areas of Quantitative Methods and/or Elementary and Intermediate Economic Principles.

The appointment will date from 1 September 1990, or as soon thereafter as possible. Depending on qualifications and experience, the appointment will be made on the Lecturer A scale (£10,458-£15,372) or Lecturer B scale (£16,014-£20,469), plus London Allowance of £1,650. Membership of the Universities' Superannuation Scheme is invited.

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Interested candidates should send a comprehensive curriculum vitae enclosing details of current salary and a day time telephone number, in the strictest confidence to:

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Andrew G Sales (Ref 0820)
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Financial Controller

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The successful candidate must be an experienced qualified accountant. Experience in the construction industry and knowledge of computerised costing is essential. The position will have prime responsibility for: establishing and maintaining effective and efficient accounting procedures; preparing all management and statutory accounts; effectively managing cash and forecasting cash requirements; and advising management on strategic and operational financial and treasury matters; establishing and developing appropriate MIS and costing systems.

Ideally aged 27 - 35, the remuneration will include a car and other benefits.

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Financial Director

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